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What role for 'in-work benefits'? A comparison of policies in EU Member States, 2006 – 2017

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**What role for ‘in-work benefits’? A comparison of policies in
EU Member States, 2006 – 2017**

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A thesis submitted for the degree of Doctor of Philosophy

University of Bath

Department of Social & Policy Sciences

March 2020

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Abstract

Since the turn of the century, tax and cash benefit policies for households undertaking paid work, referred to as ‘in-work benefits’ in this thesis, have become common among democratic capitalist countries, including European countries. These policies are often associated with the goals of alleviating in-work poverty and reducing unemployment as they ‘make work pay’ by topping up inadequate earnings for some working households. The rise of in-work benefits therefore signifies at least a partial break with the ideal that participation in paid work guarantees financial independence from the state, which has been historically embedded in varied institutional configurations across capitalist countries. Yet, gaps in comparative research on trends and variation in in-work benefits make it hard to assess the significance of this shift. Claims about in-work benefits as being driven by socio-economic pressures (e.g. labour market risks in deindustrialised societies), political compromise and ambiguity, and the (neo)liberalisation of political economy, may not apply across contexts, especially given the variation in in-work policies identified in some studies.

Addressing these gaps, this thesis develops a conceptual framework, which draws on comparative political economy and social policy perspectives, to interpret cross-national and temporal variation in in-work benefits, considering the socio-political dimensions of policies underexamined in comparative research. Specifically, it compares the orientation of countries’ in-work policies to forms and degrees of dependence on the state, labour market and the family. Using data on countries’ tax-benefit systems, and estimating countries’ expenditure on in-work benefits using a tax-benefit simulator, this framework is applied to a systematic comparison of in-work benefits in European Union member states (EUMS), covering the period 2006 and 2017. It includes: a mapping of two ‘archetypal’ in-work benefits and two forms of ‘possible’ in-work benefits; analysis of policy expenditure from 2006 to 2017; and a comparison of policy rules and design features, operationalising the ‘dependency relationships’ framework. In line with the systemic frameworks underpinning the research, the findings are contextualised with indicators of historical and contemporary context, including social policy legacies and socio-economic pressures, across EUMS.

This thesis provides further evidence that tax and benefit policies that bring the state more firmly into the domain of income maintenance for working people are common across EUMS. Such policies were implemented and/or expanded more recently in Nordic, Central and Eastern and Southern European countries. Yet, both the variation identified in EUMS’ in-work policies in this research, which are summarised into five ideal-typical models, *and* the different ways in-work benefits appear to relate to institutional and socioeconomic context, indicate that the ideals and interests underpinning in-work policies cannot be understood in homogenous terms. The findings also cast doubt on the notion that in-work benefits will become increasingly prevalent over time. The thesis leads to several recommendations for future research, including analysis of specific cases, selected from the five models identified, to further examine the interaction of historical institutions, socio-economic factors and political dynamics on in-work benefit policymaking.

List of abbreviations

ALMP	Active labour market policy
CME	Coordinated Market Economy
CTC	Child Tax Credits (UK)
EITC¹	Earned Income Tax Credit (generic term for policy, or policy name in US, Sweden, Denmark)
ETC	Employee Tax Credit (Slovakia)
EU	European Union
EUMS	European Union Member States
FIS	Family Income Supplement (UK, Ireland)
IWB	In-work benefits
IWCT	In-work cash transfer
LME	Liberal Market Economy
MISSOC	Mutual Information System on Social Protection
MWP	‘Make work pay’
MS	Member States (of the European Union)
OECD	Organisation for Economic Cooperation and Development
PAYE	Pay as You Earn
RSA	Active Income of Solidarity/ ‘ <i>Revenue de Solidarité Active</i> ’ (France)
UC	Universal Credit (UK)
VofC	Varieties of Capitalism
WFTC	Working Families Tax Credit (UK)
WMTC	Working Mother Tax Credit (Spain)
WTC	Working Tax Credits (UK)

¹ A full list of in-work cash transfer and earned income tax credit policies analysed in the thesis is provided in Appendix F and G.

1 INTRODUCTION

In broad terms, in-work benefits comprise tax-benefit policies that supplement the earned income of households undertaking paid work. There is a general consensus that in-work benefits originated in the US and the UK in the 1970s, with means-tested schemes targeting working households with children. Similar policies then became more widespread across other democratic capitalist countries from the late 1990s onwards² (Millar, 2009; Immervoll and Pearson, 2009; Kenworthy, 2015; Cousins, 2014). Even in countries classified as Liberal welfare states, and more so elsewhere, the use of the tax-benefit system to explicitly supplement the wages of households implies a break with the past. Broadly, the ideals and institutional arrangements of democratic capitalism have traditionally placed the onus on employers to pay adequate wages (Sloman, 2018). Participation in paid work has been seen as a means for financial independence from the state and as a route out of poverty, first mainly for men in post-war arrangements, then increasingly so for women, for whom work became seen as a way to gain financial independence from men (Lewis, 2001; Vosko, 2010). Since the end of the 20th century, the goal of employment has also been promoted with reference to other groups in society that were previously exempted from ‘activation’ schemes.

Across much of the literature, in-work benefits are viewed one of a suite of policies governments employ to address challenges associated with deindustrialisation and concurrent social, economic and demographic changes, namely the ‘twin problems’ of poverty among working households (in-work poverty) and unemployment (Immervoll and Pearson, 2009). These problems are associated with cyclical economic downturns and longer-term processes of de-industrialisation and globalisation, as the diminishing productivity gains of service-oriented economies, immigration and global economic competition have resulted in a weakening of employment protections and wages, leading to increasingly insecure and precarious forms of employment (Clasen, 2019; Grover and Stewart, 2002; Picot, 2018). Moreover, social and demographic changes have increased the demands on welfare states and the need for more citizens to participate in paid work to meet these demands (Marchal and Marx, 2018).

² Although different labels have been given to similar schemes in non-liberal contexts, the labels in-work benefits, in-work provision, and in-work policies are applied throughout this thesis. Other labels include ‘employment-conditional earning subsidies’ and ‘make work pay policies’ (Pearson and Scarpetta, 2000; Kenworthy, 2015; Bennett and Millar, 2005). The latter in particular is based on an agenda promoted by international actors and typically includes a broader range of provisions. The challenges in defining in-work benefits for comparative research, and the different approaches taken in the literature, are discussed in more detail in Chapter 2. In-work benefits are (re)conceptualised and operationalised for the cross-national research undertaken in this thesis in Chapters 3 and 4.

Beyond this contextualisation, however, there are competing arguments and assumptions in literature concerning the determinants and implications of governments' use of in-work benefits. At one end of the spectrum, a predominant strand of evaluative research tends to emphasize the link between problems of unemployment and poverty 'traps' and the financial (dis)incentives created by tax-benefit systems, designed for previous models of work, e.g. standard employment (Bargain and Orsini, 2006; Liang et al., 2012; Immervoll and Pearson, 2009). By targeting tax and benefit policies on low income working households, paid work becomes more financially viable than unemployment and the benefits received by those out of work, especially when governments cannot afford to reduce out-of-work benefits any further (Immervoll and Pearson, 2009). Moreover, as specific groups, including women and those with low skills, are more likely to be exposed to labour market insecurities, in-work benefits become a possible route for reducing inequalities by supporting those with additional needs (e.g. families with children) to escape poverty through work (Pearson and Scarpetta, 2000). This strand of argumentation, emphasizing individual financial (dis)incentives reflects and social policies, is apparent in 'activation' and 'make work pay' agendas, promoted by national governments and as well as the European Union, the Organisation for Economic Cooperation and Development (OECD) (Marchal and Marx, 2018; Immervoll and Pearson, 2009; OECD, 2003; Bonoli, 2005).

At the other end of the spectrum, critical political economy and sociological perspectives argue in-work benefits are more likely to be in the interests of employers, enabling them to pay lower wages and in turn increasing profits, at the expense of the public, and to the detriment of the organisation and coordination of labour (Grover and Stewart, 2002; Farnsworth, 2015; Rubery et al., 2018). In-work benefits, in this view, are concurrent with the (neo)liberalisation of advanced capitalist societies, whereby the erosion of workers' rights and employers' responsibilities requires the state to facilitate, legitimate and enforce 'precarious' employment through a combination of means-tested in-work subsidies and reforms to out-of-work benefits (Grover and Stewart, 2002). Alongside in-work benefits oriented towards precarious work, punitive and stigmatising out-of-work support, is conditioned upon job search and requirements to take on poor quality jobs, and, in some cases, unpaid labour for the purposes of skills development (Dwyer and Wright, 2014; Fletcher and Wright, 2018). Such arguments, however, are based primarily on research in liberal contexts.

There is also a third, less-developed interpretation, which emphasizes the differences in countries' in-work benefits, and considers the possibility that national in-work benefit policymaking is constrained by historical institutional arrangements associated with distinctive models of democratic capitalism, as opposed to being a wholly convergent form of policy development (Kenworthy, 2015, p.24). While researchers across the spectrum, state that in-work benefits vary across countries, this is often conceived of as a trade-off in terms of two main policy goals, alleviating in-work poverty or reducing unemployment, relating to the design of policies, and through a technocratic lens (Immervoll and Pearson, 2009). How this variation relates to context is rarely considered in comparative research.

A small number of case studies, mostly of UK and the US, do indeed examine the social and political and economic determinants and consequences of in-work benefits in select contexts (Vlandas, 2013; Clasen, 2019; Grover and Stewart, 2002; Grover, 2005; Grover, 2016; Howard, 1997; Ventry Jr, 2000a; Clegg, 2015). These studies highlight the wavering forms of support and rationale given to in-work benefits, among the left and right, in the life course of in-work benefit policy making. They also illustrate that national models of policies considered in-work benefits do not straightforwardly resemble the archetypal models associated with the US and the UK, thus a wider net is needed to capture similar policy developments across diverse contexts. For example, some countries' in-work benefits are 'within' income maintenance benefits primarily targeted on the unemployed.

Despite these competing interpretations and accounts of in-work benefits, which indirectly and directly illuminate the social, economic and political salience of in-work benefit reforms, most research efforts have centred on the 'effectiveness' of in-work benefits with respect to policy goals, e.g. alleviating in-work poverty and unemployment. Comparative research at a broader level, in terms of the number of countries and time period covered, has not sought to explore questions about the role of in-work benefits, why they are implemented in some contexts and not others, and why actual policies vary in scale, design and form, and what they signify for the future direction of welfare states.

Yet, a major stumbling block in addressing these puzzles is that there is also limited evidence of where, when and the extent to which governments have implemented in-work policies. These evidence gaps constrain efforts to develop and 'test' theories about the varied role of in-work benefits and their relationship to historical and contemporary contexts of European countries in recent decades. Indeed, a number of inter-linked issues appear to hold back cross-national in-work benefits research. These are: (1) the inconsistent conceptualisation

and definition of in-work benefits in the literature; (2) the predominant technocratic and apolitical analysis of this ‘novel’ area of policy and how it varies across contexts and; (3) limited cross-national and time-series data on in-work benefits, including on the cost and scale of schemes.

The thesis therefore aims to make inroads on questions about the role of in-work benefits through comparative research on in-work benefits in 27/28 European Union Member States (EUMS) from 2006 to 2017³. The rationale and motivation for focusing EUMS is outlined below. However, at the core of the thesis is the argument that systematic empirical analysis of in-work benefit policies across de-industrialising countries, exhibiting variance in socio-economic and institutional factors, is key for understanding the extent and ways in which in-work benefits vary across countries, and the significance of this variation. The timing of the research is pertinent as, on the one hand, there are suggestions in-work benefits have become a routine consideration for policymakers to ‘make work pay’ (Kenworthy, 2015). On the other, the future of in-work benefits appears to be flux, including in the UK, one of the earliest adopters of these policies, where the previous model of separate income maintenance policies for in and out of work households is, at the time of writing, being replaced by one scheme merging means-tested benefits for working and unemployed households (Millar and Bennett, 2017).

Drawing on the overlapping fields of comparative political economy, welfare state and social policy, in-work benefit variation is (re)conceptualised and examined systematically, towards the aim of better understanding the role of such policies in capitalist democratic countries, including the extent to which countries’ provisions align with or deviate from historically embedded political, social and economic interests and ideals associated with national contexts (Hall, 2016). A secondary aim of the thesis is to examine how this variation relates to some of the salient aspects of context outlined above, including socio-economic and institutional factors.

More specifically, in-work benefits are (re) conceptualised in this thesis as a distinctive area of policy development that implies a novel role for the state in the domain of direct income maintenance for working households. Such policies are considered distinctive because they

³ The study period overlaps with the UK’s ‘Brexit referendum’ in 2016 in which the public voted in favour of ending the UK’s membership of the European Union 52% to 48%. However, during the time period covered by the study, the UK was a member of the EU; it did not officially withdraw its Membership of the European Union until 31 January 2020, after the House of Commons passed the European Union (Withdrawal Agreement) Act 2020 on 23 January 2020. It is therefore referred to as a member state in the research. Croatia became a member of the European Union in 2013. It was therefore not an EU member country throughout the entire study duration and thus the total EUMS covered by the research is 27 to 28.

imply a shift in the logics and arrangements concerning the role of the state in income maintenance from, mainly providing income maintenance during gaps in earned income (e.g. unemployment benefits) and for other needs that are not directly related to work (e.g. child benefits). Moreover, they also alter the role of the state (Picot, 2018), employers and other actors and institutions involved in determining the adequacy of wages (Millar, 2009; Sloman, 2018; Picot, 2018). This (re)conceptualisation feeds into a threefold typology to classify in-work benefits and related policies as either ‘archetypal in-work benefits, possible in-work benefits or not in-work benefits and to establish the policy parameters of this investigation.

First, archetypal in-work benefits mirror those of the US and the UK in the form of refundable earned income tax credits and in-work cash transfers, both targeted explicitly on working households. These are included in the investigation. Alongside this non-refundable earned income tax credits are also analysed as a possible form of in-work benefit. These represent a slight variant on refundable earned income tax credits, the main difference being such measures can only reduce tax liabilities, and not lead to a transfer or ‘refund’. The third, possible in-work benefit examined in this thesis are unemployment benefits that can be combined with paid work (“adjusted unemployment benefits”)⁴.

The latter is considered a de-facto in-work benefit in Germany (Clasen, 2019) but could be in use elsewhere. This category has social and political relevance for our understanding of the development of in-work benefits over time because they blur the distinction between working and non-working recipient that have been historically salient in some tax and benefit systems (Clegg, 2015). Moreover, they may also be indicative of a more cumulative or gradual form of shift towards in-work benefits, in contexts where ‘path-breaking’ Liberal-style in-work benefits cannot be implemented (Kenworthy, 2015; Palier, 2010; Clasen, 2019). A low bar for including adjusted unemployment benefits was set out at the start of the investigation – these policies are then examined comparatively to assess whether they constitute in-work benefits.

Moreover, the thesis also develops a ‘dependency relationships’ analytical framework for comparing variation in in-work benefits across countries and over time⁵. Developed using

⁴ These provisions do not constitute an exhaustive list of in-work benefits, but comprise what are argued to be three of the most important to understand the development of such provisions across democratic capitalist countries in recent years. Additional policies often referred to in discussions about in-work benefits are also classified using the typology set out in Chapter 3 that were not examined in this study due to the constraints of the research.

⁵ The concept ‘dependence’ is not employed according to political discourse about ‘welfare dependence’ (Daigneault, 2014b, p.4). Rather it is intended to capture the different sources of welfare upon which citizens rely and the logics and interests underpinning policies oriented towards different forms and degrees of dependence (and responsibility) between

Esping-Andersen's (1990) welfare regime theory as well as social policy and welfare state research concerning the institutional forms of provisions through a socio-political lens (e.g. Howard, 1997; Morel et al, 2016; 2018), the framework considers the logics and interests underpinning in-work benefits pertaining to the extent to which and ways in which citizens depend on the labour market, state and family for income while participating in paid work (Esping-Andersen, 1990; 1999). The thesis thus critically engages with existing concepts that encapsulate forms and degrees of dependency (e.g. decommodification), considering the context of post-industrial economies, and the focus on in-work benefits, a novel form of income maintenance provision.

On the latter, the research largely refrains from the interpretation of in-work benefit with reference to their effects in ways that have been carried out for other policy areas (e.g. re- or de-commodification) as it is largely beyond the scope of the analysis to study the interaction of in-work benefits with other policies. Moreover, such concepts are limited when understanding the changed and varied nature of state, familial and labour market dependence in capitalist democratic countries. For example, dependence on highly targeted and invasive form of in-work benefits delivered through the social security system encompasses a distinctive form of dependence to that on minimally invasive and privileged tax benefits (Titmuss, 1958; Morel et al., 2018).

Finally, this thesis also explores the extent to which variation in countries' in-work benefit policies relates to historical context, notably social policy legacies, and contemporary context, in terms of the socio-economic pressures and changes in institutions indicative of the liberalisation of countries' political economy outlined partly above. On the former, a welfare regime framework is employed as a heuristic device as a means of examining the relevance of historical similarities and differences across countries for understanding in-work benefit variation. The dependency relationships framework developed for this thesis and applied to the analysis of countries' in-work benefits, speaks to whether and how policies are linked to the varied political, social, economic and cultural objectives historically embedded in institutions and policy logics across groups of countries. As is the case for other types of policy 'innovation', national specifications of in-work benefits could retain some of the logics of past policymaking, visible in their 'micro-institutional features' (Clegg, 2014, p.160).

citizens, notably with and through the family, the state and employers, created by and feeding into forms and degrees of social, political and economic (in)equalities. Forms of dependence are conceptualised both quantitatively and qualitatively.

For example, in-work benefit policies oriented towards a sole-earner or breadwinner model of care and work in conservative-corporatist regimes could indicate a continuation of a conservative familial policy approach and logic that is embedded in these contexts, despite the ‘needs’ and political preferences that might be created in de-industrialised contexts for policies that encourage two-earner households (Leibetseder, 2013; Lewis, 1992). Whereas the orientation of in-work benefits in these contexts towards a dual-earner model (e.g. individualised provisions) would imply a break from these historical roots. Therefore, the extent to which in-work benefits can be conceived of as completely ‘path-breaking’ depends on the form and the size of provisions.

Although avoiding a functionalistic interpretation of the relationship between socio-economic context and in-work benefit variation, the analysis of in-work policies focuses on labour market risks associated with deindustrialisation that in-work benefits are often considered as a ‘response’ to, including underemployment, unemployment and in-work poverty. Similarly, the suggestion that in-work benefits are part of the (neo)liberalisation of political economy is examined across a diverse range of contexts, using indicators of institutional change typically associated with this process: collective bargaining coverage, trade unions density and replacement rates.

1.1 Aims, research questions and scope

In concise terms, the aim of the thesis is to better understand the role of in-work benefits across diverse capitalist democratic countries, including change over time in the use, form and size of national in-work policies. A secondary aim is to contribute evidence that can feed into debates about the conceptualisation and definition of in-work benefits for comparative research across countries and over time that goes beyond the technical lens applied in many studies of in-work benefits. The research questions addressed in the thesis are:

- 1) What is the nature and extent of variation in in-work benefits in EUMS?
 - a. Have in-work benefits become more commonplace in recent years?
 - b. How common are archetypal in-work benefit policies associated with liberal regimes?
- 2) To what extent and in what ways do EUMS’ in-work benefit policies vary in their orientation towards dependence on the labour market, state and the family?
- 3) How does variation in EUMS’ in-work benefits policies map on to historical and contemporary context?

The first question concerns the core, descriptive aim to chart variation in the use, form and size of in-work benefits across a diverse range of capitalist democratic countries over time. The sub-questions capture more substantive claims about the prevalence of these policies across capitalist democratic countries and, more specifically, questions over the form that such provisions take, e.g. do they resemble the traditional ‘liberal’ in-work policies associated with the US and the UK. The second question is borne out of the theoretical framework, specifically the development of the dependency relationships framework outlined above, which aims to examine cross cutting logics and interests informing national in-work benefit strategies, focusing primarily on the design and form of provisions as indicators of the orientation of policies towards different degrees and forms of dependency. The third question captures the exploratory aspect of the research, which contextualises variation in-work benefits with respect to historical (social policy legacies) and contemporary contextual factors that have been linked to variation in in-work benefits over time and across countries, as outlined above.

In line with these aims and questions, and practical considerations concerning the limits to comparative data on in-work benefits, the thesis focuses on all 27/28 EUMS from 2007 to 2017. Given the gaps in in-work benefits research, the spatial (all EUMS) and temporal dimensions (2006 to 2017) of this thesis were chosen to facilitate an exploration of a moderate number of countries which are subject to ‘convergent pressures’, such as deindustrialisation. The time period also covers the global financial crisis of 2007-08, the subsequent recession, and the recovery period, facilitating an exploration of trends and variation in in-work benefits in a changing economic context, which has had different implications across EUMS (Theodoropoulou, 2018).

Similarly, these countries also exhibit variation in the factors associated with in-work benefit variation to be explored in this thesis. First, EUMS represent a range of welfare regimes, which are used to situate policies. For example, the proportion of people in work and at risk of poverty has increased slightly in recent years among EUMS, with the average in-work poverty rate at 8.3% in 2008 and 9.6% in 2016. Yet, countries vary considerably, with just 3.1% of employed people being at risk of poverty in 2016 in Finland compared to 18.9% in Romania in the same year. Similarly, unemployment in European Union member states declined on average in the three years prior to the global economic crisis, but then increased markedly from 2008 to 2012. Unemployment is particularly pronounced in Southern European countries. For example, the unemployment rate in Greece in 2016 was 23.6%;

19.6% in Spain; and 11.7% in Italy, while the EU average for 2016 was 8.6% (10% for the Euro-area) (Eurostat, 2019).

In addition, collective bargaining, which puts the onus on employers to pay adequate wages through negotiations between employers, their representatives and trade unions, has declined in recent years in EUMS, especially following the financial crisis. Yet, the proportion of the workforce covered by such arrangements varies from ‘very low’ (20-40%) in the likes of the UK, Ireland, Greece, Slovakia; to ‘very high’ (80-100%) in Austria, Belgium, Denmark, Finland, France, the Netherlands and Slovenia (Eurofound, 2015, p.43). The focus on EUMS also increased the range of data sources which facilitated more in-depth analysis of provisions and enhanced the reliability of the findings.

Moreover, the research questions are addressed through the empirical component of the thesis different angles across a number of strands to build a multi-faceted picture of in-work benefit variation considering both the qualitative and quantitative dimensions of policies. The strands include:

- i. A systematic mapping of in-work benefits across EU-Member States, examining the composition of EU Member states with/without in-work benefits, at two time points: 2008 and 2016.
- ii. Quantitative analysis of in-work benefit expenditure describing variation across countries and time, covering 2006 to 2017.

Both the findings on the variation in countries with/without the in-work policies mapped in this thesis, and variation in expenditure, are contextualised using indicators of socio-economic and institutional context.

- iii. The operationalisation of the dependency relationships framework, focusing on the state and the family, through a comparison of the form, rules and design features of policy for 2016.
- iv. A separate, systematic comparison of the orientation of EUMS’ in-work benefits towards different forms and degrees of dependence on the labour market, including the development of a composite indicator of the orientation of each policy sub-type towards non-standard and standard employment.

In line with the exploratory nature of research question 3, the latter two parts are also contextualised using indicators of labour market risks and social policies that emerge as potentially salient during the analysis.

Each part of the investigation varies in terms of the time-points and countries covered. For example, an initial mapping of in-work benefits in the first phase of the empirical research for 2008 and 2016 identifies provisions in 18 and 20 countries. Analysis of policy design and rules focuses only on 2016 policies, whereas analysis of expenditure could only be conducted for 14 countries and two provision types (earned income tax credits and in-work cash transfers). Despite the limited policy parameters, the expenditure analysis provides the most insights into change over time using time-series data for 2006 to 2017.

Moreover, as much of the heavy lifting of the thesis centres on describing policy variation across a wide range of countries and collecting and analysing data from various sources towards these ends, the analysis of the relationship between variance in in-work benefits and context is ‘exploratory’. The methods employed are not extensive enough to develop or test causal theories. The empirical analysis is intended to describe, analyse and thus contribute to theory-building for future explanatory research on in-work benefits. It also applies and thus assesses the validity of the conceptual framework described above for defining and analysing variation in in-work benefit policies across countries and time.

1.2 Structure of thesis

As a relatively under-researched area of social policy, the following chapter (Chapter 2) aims to describe and understand how, where and why in-work benefits have developed as an area of policy across time and countries based on existing research. It focuses specifically on the literature on in-work benefits (and related policies with varied nomenclature). The chapter first summarises research on the form, scale, goals and effectiveness of provisions in the US and the UK, as countries from which in-work benefits are said to originate. The focus then broadens to assess the evidence and arguments about similar reforms elsewhere. It identifies three main gaps in in-work benefits research from a comparative perspective relating to empirical evidence and conceptual and theoretical development, and outlines the main arguments in the literature about why in-work benefits are used and their consequences, that have thus far not been ‘tested’ in comparative research.

Chapter 3 builds on these arguments, drawing on the comparative political economy and welfare state literature, as well as perspectives emphasizing the socio-political dimensions of social policy, to develop a framework for structuring and interpreting comparative analysis of in-work benefits in EUMS. The framework foregrounds political economy and sociological perspectives to make sense of in-work benefits because these policies are seen to tap into (and seemingly disrupt) logics and institutional arrangements concerning the role

and responsibility of the state, as well as that of employers and the family, in providing resources, in offsetting or exacerbating inequalities in capitalist democracies. Indeed, the notion of in-work benefits is at odds with the broad ideal that paid work guarantees independence from the state, at least in the domain of direct income maintenance. At the same time, logics and arrangements concerning the role and balance of the state, market and family have not been uniform across countries, nor have they remained static over time. The social, economic and political transformations from the latter half of the 20th century are oft described as an unravelling the institutions and logics of industrial capitalism.

The first part of the framework there sets the broad backdrop for making sense of in-work benefit trends and variation. It argues that in-work benefits should be situated both with reference to historical context, at both the broad, regime level, and the micro-institutional level (e.g. policy design) and contemporary context, including certain socio-economic pressures and areas of institutional change, as these multiple factors may help to make sense of variation in in-work benefits. It also introduces concepts characterising change and continuity from this literature, e.g. path dependence.

The second part the framework homes in and presents a more detailed framework for making sense of variation in the extent and form of in-work policies across countries and over time. It draws on key concepts illuminating the salient features of social policy variation across capitalist democracies, in particular the varied ways policies shape and structure, qualitatively and quantitatively, citizens are dependence on the state, the (labour) market, and the family, in order to maintain a socially acceptable standard of living, including de- and re- commodification and de-familialisation (Esping-Andersen, 1990; 1999; Orloff, 2009).

Overall, the framework leads to a tentative definition of in-work benefits that sees policies as broadly distinctive because they combine state dependence (for income maintenance) with dependence on the labour market. It also outlines the ‘dependency relationships’ analytical framework for comparing the orientation of in-work benefit policies towards different *degrees* and *forms* of dependence on the state, labour market and the family. Analysing policy variation through this lens is intended to provide a means of making inferences about the relationship between in-work benefits and historical and contemporary context, e.g. social policy legacies and socio-economic pressures.

The methodology and data are justified and appraised in Chapter 4. The use and interpretation of cross-national policy analysis based on expert descriptions of policies and

simulated data to compare policy development across national contexts are discussed in light of paradigms in cross-national social policy and welfare state methodologies. The study design and the operationalisation of the key concepts, including the dependency relationships framework, is also set out, followed by a description and justification of the data sources, collection and analysis. The comparative data on in-work benefits collected specifically for the project fed into the development of a new database, EU-IWB, to be made available to other researchers in the future. The methodology also reflects on the challenges involved in conducting cross-national comparative research on a policy area that is inconsistently defined and, relatedly, for which there is limited standardised, cross-national data, as well as the lessons learned from conducting the research that could feed into future work comparing in-work benefit policies across contexts.

The empirical work is presented across three chapters: Chapter 5 presents the initial mapping of in-work benefits in EUMS in 2008 and 2016 and the analysis of EUMS' expenditure using the data generated specifically for the project using the tax-benefit simulator, EUROMOD, and household panel input data (Institute for Social and Economic Research, 2019; Sutherland and Figari, 2013). Due to data limitations, the analysis of expenditure covers earned income tax credits and in-work cash transfers only. Both attempts to capture trends and cross-national variation in in-work benefits are contextualised, applying a welfare regime framework to structure the analysis, and with indicators of the socio-economic and institutional variation. Chapter 6 presents the initial analysis of EUMS' in-work benefits employing a dependency relationship framework, focusing on the policy rules and designs that are indicators of the orientation of provisions towards qualitative and quantitatively different relations with the state and the family. Chapter 7 presents the analysis of the labour-market orientation of EUMS' in-work benefits based on policy rules and design features for 2016, assessing the orientation of policies towards standard or non-standard work. Chapter 8 summarises the main findings and discusses the interpretation of the empirical components holistically. Finally, Chapter 9 restates the research motivation, the questions and the approach employed in this thesis. It ends by setting out the study limitations and suggestions for future work.

1.3 Summary of thesis

In sum, this thesis adds to existing evidence that in-work benefits, broadly defined as policies implying a fundamental role for the state in the domain of income maintenance for working households, are in place across a diverse range of EUMS. Many EUMS already had such

provisions in place at the point of the first mapping of relevant provisions carried out for this thesis for 2008. Yet, schemes were introduced more recently in some Southern and Central and Eastern European countries after this time point, indicating policies may be used as a welfare state ‘evolves’. In broad terms, the use of such measures could be considered a (partial) break with the logics and institutional arrangements of democratic capitalist countries, and the interests and ideals underpinning them, that have positioned paid work as a means for achieving financial independence from the state, and whereby the state’s role in income maintenance has largely been confined to other risks, including unemployment (Sloman, 2018).

Crucially, however, the findings add further evidence to the argument that developments in in-work benefits are not uniform across capitalist democratic countries (Immervoll and Pearson, 2009; Kenworthy, 2015). The development and application of an analytical framework for identifying and comparing the salient features of in in-work benefits (and policies categorised as ‘possible in-work benefits’) illuminated variation in the orientation of countries’ provisions towards degrees and forms of dependence on the state, labour market and family, as well as changes over time. In very few cases did EUMS’ in-work policies resemble the archetypal ‘liberal’ in-work benefits associated with the UK and the US, which took the form of means-tested in-work cash transfers or refundable earned income tax credits, predominantly for low-income working households with children. Later reforms in the UK also depart from this model.

More specifically, cross national variation identified using this framework was condensed into what were seen as five distinctive in-work benefit approaches or models.

The first can be summarised as the archetypal, means-tested social in-work benefit that explicitly target working households, associated with historical policies in liberal contexts that encourage interdependency within families and tie together the labour market activity of recipients within a household. The second takes the form of fiscal in-work benefits targeted on the basis of familial and gender considerations, which are mainly oriented towards a modified breadwinner model. As tax policies, these comprises a less invasive and most likely privileged form of state dependence as a fiscal benefit (refundable earned income tax credits). The third is also a fiscal in-work benefit but targeted on the basis of earnings and/or employment relationship and also takes the form of refundable tax credits. The fourth is summarised as fiscal, universalist non-refundable earned income tax credits, premised on an active worker model. The fifth model, labelled implicit in-work cash transfers, is

characterised by an orientation towards a punitive and potentially stigmatising form of state dependence for income maintenance and an orientation towards precarious forms of dependence on the labour market.

Moreover, the findings on in-work policies were contextualised throughout the investigation, to explore the relationships between variation in the use, cost and orientation of provisions and indicators of historical and contemporary context.

The extent to which variation in policy types aligned with social policy legacies was indeed facilitated by the dependency relationships framework, which was based on ideal-type models of countries' balance of state, market and the family. There were a number of examples of a continuation of policy logics. For example, conservative ideals, especially concerning the models of work and care within families and the targeting of provisions on the basis of employment statuses, play out in the design and rules of Bismarckian and some Southern regime provisions. The findings also comprise evidence of a stark continuation of expansive, more universal approach to social policy associated with Nordic regime countries. Yet, the latter is somewhat paradoxical, as provisions are effectively expansive cuts in income taxation, which could erode the fiscal base (and associated support) for the Nordic welfare state.

Relatedly, the findings indicate that in-work benefits have occurred alongside forms of liberalisation in some EUMS, e.g. Sweden. However, for some countries, the findings point to institutional constraints on liberalisation, despite an expansion in in-work benefits in recent years. For example, the expansion of an earned income tax credit in Denmark has not coincided with the erosion of unemployment protections, based on the indicators used in this study. The extent to which in-work benefits play a role in these processes is thus an important question for future research (e.g. do they undermine support for expenditure on unemployment benefits?). Moreover, the findings comprise tentative evidence that increasing socio-economic pressures within some national contexts is linked to increases in in-work benefit expenditure, but the relationships observed were also not uniform, indicating that socio-economic pressures are likely to be mediated through national political and institutional factors. The exploratory analysis and in-work benefit expenditure data provokes the need for substantial development in order to more robustly assess claims about these relationships.

2 THE ORIGINS AND DEVELOPMENT OF IN-WORK BENEFITS

The aim of this chapter is to build an understanding the origins and development of in-work benefits in capitalist democratic countries based on the literature. Although it is often argued that in-work benefits, loosely defined, rarely featured in the tax-benefit systems of most capitalist democratic countries until a trend towards such policies from the late 1990s and early 2000s onwards, there have been very few efforts to systematically study trends and cross-national variation in this area of social policy. The literature reviewed in this chapter is therefore broad, with different foci and perspectives, but when combined serves as a useful starting point for understanding cross-national variation in in-work benefits, and developments over time. Although not the focus of most in-work benefits research, the chapter also considers arguments about the political, economic and social drivers and consequences of the wider use of in-work benefits in capitalist democratic countries.

The chapter is structured as follows: Section 2.1 starts with a comparative overview of in-work benefits in the US and the UK, as they are widely considered two of the first countries to implement in-work benefit policies. Section 2.2 extends the focus to other European and OECD countries, which illuminates the varied and conflicting ways of conceptualising and defining of in-work benefits in the literature, and the gaps in the evidence base on trends and cross-national variation in in-work benefits. In Section 2.3, several competing arguments about the role and purpose of in-work benefits in capitalist democratic countries are discussed in more detail, as these relate to the tensions over how to define and conceptualise in-work benefits for cross-national research. Section 2.4 summarises the gaps and limitations of research on in-work benefits in a comparative perspective and argues these gaps limit the possibilities for developing and testing explanations for in-work benefit variation across countries and over time. The chapter ends by outlining the first, descriptive research question and set of sub-questions that emerge as a result of the literature review.

2.1 The development of in-work benefits in the US and the UK

In-work benefits were not a standard part of post-war welfare states and the implementation of such policies across capitalist democratic countries has been uneven. Many researchers trace the origins of in-work benefit policies to the US and the UK the mid-1970s⁶ and then

⁶ Grover and Stewart (2002) and Grover (2005, p.12) associate in-work benefits in the 20th and 21st century with the Speenhamland system in Britain up until the 1834 new Poor Law. Bennett and Hirsch (2001, p.65) argue wages fell directly as a result of the Speenhamland

to other ‘liberal’ or English-speaking countries in the decades that followed (Immervoll and Pearson, 2009; Millar, 2009; Kenworthy, 2015). In-work benefits, loosely defined, are understood to have not been used outside of the Anglo-Saxon countries until the late 1990s and the early 2000s. The development and form of in-work benefits in the US and the UK constitutes a key reference point for comparisons with other contexts (Pearson and Scarpetta, 2000, p.13; Cousins, 2014). Moreover, the form of in-work benefits in liberal welfare regimes becomes pivotal when assessing arguments about why in-work benefits have become more widespread.

To start with the US, its main in-work benefit is the federal Earned Income Tax Credit (EITC). Enacted in 1975 and still in place, the federal EITC is a refundable tax credit, meaning it reduces tax liabilities for eligible working households, but can result in a transfer for eligible households who are not liable to pay any tax because of low earnings (Meyer, 2010; Falk and Crandall-Hollick, 2016; Sykes et al., 2015). To be eligible, ‘tax filers’ must have a wage earner in the family, have a low to medium income and claim the credit when they file an annual tax refund (Meyer, 2010; Cousins, 2014, p.107). Originally, the EITC was introduced as a temporary measure during the 1974 recession to encourage economic growth. Its stated aims were reducing unemployment and reducing expenditure on welfare by incentivising people with dependent children to obtain employment (Falk and Crandall-Hollick, 2016, p.10). These aims – to reduce unemployment, welfare dependency and in-work poverty – remain central (Falk and Crandall-Hollick, 2016, p.10)

The EITC has also grown in cost and coverage over time. When introduced in 1975, expenditure on the EITC was \$1.25 billion and it had 6.2 million recipients (Falk and Crandall-Hollick, 2016, p.18). By 2015, \$68.1 billion was spent on the EITC, which was received by 28.82 million tax filers, or approximately 18 per cent of the labour force (Cousins, 2014, p. 107). Since its inception it has become ‘largest anti-poverty program for the non-aged in the United States’(Meyer, 2017, p.1). The long-lasting nature of the EITC and its deliberate expansion over time are illustrative of its popularity. Studying the EITC in the US alongside other forms of ‘fiscal’ welfare, Howard (1997, p64) argues:

system, but three main differences prevented this effect with the later schemes: 1. Statutory minimum wages, 2. ‘A more developed public notion of welfare underpinned by taxation,’ and 3. The varied income sources of working households which are no longer dependent on one adult male’s wage (Bennett and Hirsch, 2001).

‘It is hard to think of another government program that has received such universal acclaim among political elites. Considering the prevailing skepticism, if not hostility, toward public assistance programs, the popularity of the EITC is remarkable’.

The EITC’s expansion often occurred alongside cuts to other areas of social policy, notably Medicare and federal employee pensions, indicating a degree of immunity to fiscal pressures (ibid, p.140). Howard (1997) attributes the EITC’s popularity to its institutional form as a tax policy. Although initially ‘hidden’ within tax legislation (Howard, 1997), the EITC became far more visible over time, with politicians on the left and right claiming credit for the measure by directly campaigning to protect or expand the EITC, or avoiding association with cost containment (Howard, 1997, p.72). Meyer (2010) also suggests that a significant feature in the popularity of the EITC is its orientation towards *working* households with children.

The development of in-work benefits in the UK is somewhat distinctive. The stated aims of in-work benefits in the UK are similar to those in the US and have remained fairly constant over the years. However, in contrast to the continuity and expansion of the EITC in the US, the development of in-work benefits in the UK is more erratic, sometimes closer and sometimes further away from the US model of in-work benefits (Clegg, 2015), with the political support for in-work benefits shifting in recent years.

This started with the Family Income Supplement (FIS), which introduced in the UK 1971, a few years before the EITC. FIS’ main aim was to reduce in-work poverty for families with children (Millar, 2009). Similarly, however, it was only for households with dependent children, on the condition that one parent was working. Unlike the EITC, however, FIS was part of the social security system. Another difference was that households had to demonstrate they were working 30 hours per week to be eligible for the benefit (Millar, 2009, p.235), thus there was thus more of an emphasis on work hours than its counterpart.

FIS, however, was minor in the history of the UK’s in-work benefits (Clegg, 2015, p.494). It cost just £8 million per annum and covered 160,000 families when introduced (Grover and Stewart, 2002, p.135). It was replaced by (or some say, revamped as) Family Credit by the Conservative government of 1988. This provision continued to solely be for working households with dependent children, with lone parents eligible at lower hours of work than couples. Yet, Millar (2009, p.235) argues it was this change that ‘really established wage supplementation through means-tested benefits as a legitimate, and integral, function of the social security system’.

After just under a decade, Family Credit was replaced in 1999 by the short-lived Working Families Tax Credit (WFTC) under the New Labour government. The provision was administered by the tax office and *could* be paid direct by employers with wages. This was intended to associate the tax credit with work, not welfare (Clegg, 2015; Millar, 2009). And UK policy makers supposedly looked to the US' EITC for inspiration. Clegg (2015, p.494) also argues the reforms were a 'conscious act of political communication' which emphasized the rewards of working and boosted the status of those in the administrative system, moving them away from means-testing and welfare.'

Fairly short-lived, WFTC paved the way for the 'next generation' tax credits in the form of Working Tax Credit (WTC) and Child Tax Credit (CTC) (Millar, 2009, p.240)⁷, which led to the rapid expansion and increasing costs of tax credits in the UK. Similar to previous reforms, the stated aims of these tax credits were to tackle child poverty, to 'make work pay', and to create incentives to increase earnings (Millar, 2009). This shift was in part reflecting an aim to 'modernise' the system to make it simpler and more effective (Millar, 2009, p. 237). There were also concerns about tackling fraud and low take-up that previous systems were vulnerable to (Godwin and Lawson, 2012).

Following this period of expansion, expenditure on in-work benefits in the form of CTC and WTC began to decline from 2011/12, the result of reforms to curb expenditure on these benefits as part of wider austerity measures implemented by the Conservative - Liberal Democrat coalition government (Clegg, 2015). For example, the rates of WTC were frozen for three years (Grover, 2011). Eventually, WTC (and CTC) were to be phased out, following legislation in 2012 introducing a new programme, Universal Credit (UC). Universal Credit replaces six means-tested in- and out-of-work benefits (Income Based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, Income Related Employment and Support Allowance and Income Support) with a single payment (Cousins, 2014). From 2013, the UK has thus been engaged in a major reform of the system of benefits and tax credits for people of working age.

The stated aims of Universal Credit are echo some of those of previous measures: 'encourage people on benefits to start paid work or increase their hours by making sure work pays; make it easier for people to manage the move into work; simplify the system, making it easier for

⁷ In-work benefits in the UK (and the US) had up until this point been defined on the basis that eligibility rules required at least one member of the recipient household to be in work – even though the levels of earnings and hours of work that gain access changed over time in both countries. Adhering to this criterion, CTC should not be considered an in-work benefit as non-working households are also eligible. This becomes problematic when considering variation in expenditure on in-work benefits overtime and when comparing with other countries.

people to understand, and easier and cheaper for the government to administer; reduce the number of people who are in work but still living in poverty; and reduce fraud and error' (DWP, 2015). Although there was broad political support for the principles of the policy initially, the implementation and roll out of the new system, which was ongoing at the time of writing, has not gone smoothly, and many have become increasingly critical of some of the design features. In this vein, Dwyer and Wright (2014, p.27) note the controversies and failures concerning the reforms gradual implementation, including technical mishaps, as well as built-in design features that are expected to exacerbate poverty among a large proportion of recipients compared to the previous system.

In terms of the 'in-work' part of Universal Credit, by merging tax credits and benefits into one payment, the policy blurs the previously sharp distinction in the UK social security system between in- and out-of-work recipients (Clegg, 2015). Universal Credit also introduces work-related behavioural conditions for 'low-paid insecure and part-time workers and their partners' (Dwyer and Wright, 2014). Those subject to 'in-work conditionality' are required to demonstrate they have sought to increase their hours and/or earnings if below a certain level. Non-compliance can result in financial sanctions in the form of the reduction or suspension of benefit payments. Monitoring and punitive behavioural requirements are a well-known feature of out-of-work benefits in the UK since the 1990s, but in-work conditionality has been seen as a significant extension of the sanctions regime into the working population (Dwyer and Wright, 2014).

Dwyer and Wright (2014, p.30-31) argue this departs from previous policy logics whereby working recipients were shielded from the stigma and harm of a punitive conditionality regime, which assumes recipients of welfare are 'free loaders' or 'work shy'. They also argue it is at odds with the logic of the reform itself to reduce 'welfare dependence' as 'those who have succeeded in finding a job will not be rewarded with the legitimacy of a respectably-named tax credit to top-up low wages or a life free from behavioural intervention' (ibid, p30). The political and social legitimacy of this transformation of in-work benefits therefore appears uncertain as the policy is gradually implemented (Abbas and Chrisp, 2018; Abbas and Jones, 2018; Jones et al., 2019).

With a few exceptions, much of the research on in-work benefits in the US and the UK has focused on the evaluating policy effectiveness against stated aims, e.g. whether provisions reach target populations in order to effectively reduce unemployment and in-work poverty

(Brewer et al., 2005; Gregg et al., 2012; Kolm and Tonin, 2011). Some researchers have also investigated the wider economic impact on wages and employment, for example.

Evidence of the effectiveness of the EITC in meeting policy objectives is summarised in several literature reviews (e.g. Brewer *et al.*, 2006; Cousins, 2014; Nichols and Rothstein, 2015; Van der Linden, 2016). In short, the evidence on poverty is mixed, with one study finding the EITC reduced poverty by one per cent, and another arguing that the EITC is regressive within low income ranges as it provides support to those with higher earnings (Cousins, 2014, p.108-109). In terms of employment, the EITC has been found to have a substantial and significant effect on lone parents' labour market participation but a negative participation effects for second earners (Brewer et al., 2005). There is also some evidence to suggest the EITC reduces the hours worked among recipients (Cousins, 2014, p.108). Other studies provide evidence of the policy's wider effects. For example, one study found the EITC depresses wages, but this varied according to the characteristics of the recipient and the generosity of the scheme (Van der Linden, 2016, p.6)

In the UK, Brewer et al.'s (2006) analysis of the WFTC, finds positive and significant effects of the WFTC on lone mothers' labour market participation. Later research evaluating the combined effects of WTC and CTC finds positive employment effects for single women and lone mothers (Cousins, 2014, p.104). Research examining the life-cycle effects, also reviewed by Cousins (2014), shows that the effects of in-work benefits on full-time employment is much lower and that there is a limited effect on earnings. The success of in-work benefits in reducing poverty is linked to the value of credits for working households. Relative child poverty was found to fall steeply between 1998 and 2004, during which there was major investment in tax credit schemes (Gregg et al., 2012, p.2). In contrast, austerity measures and the move to Universal Credit are associated with an enhanced risk of in-work poverty for some household types and some have begun to explore the experiences and effects of in-work conditionality from the perspectives of recipients and employers (Wright et al., 2018; Jones et al., 2019).

There have thus been similar policy aims attached to in-work benefits in the US and the UK to increase work incentives and to reduce in-work poverty, especially for families with children. There has also been a concern with reducing government expenditure on and 'dependence' on out-of-work benefits (Cousins, 2014). However, the stated aims of provisions and their actual effects are not clearly aligned, indicating there are likely other objectives and interests cutting through policies in these contexts. Stigmatising and

derogatory notions of welfare dependence have been particularly prominent in both justifications for expanding in-work benefits and concurrent cuts to out-of-work benefits (Grover and Stewart, 2002). In later years, ‘make work pay’ became a prominent yet ambiguous policy goal associated with in-work benefits and other policies (e.g. minimum wages) (Bennett and Millar, 2005). However, the administrative (status-based) and material privileging of low-income working households in the UK are being eroded through austerity measures and Universal Credit, according to some critics.

In both the US and the UK, governments have expanded in-work benefits over time. The US system has stayed fairly constant in its use of the tax system for delivery throughout while the UK has used both the tax and social security systems at different times. Both countries policies extended to households without children over time. Despite these differences, as is discussed in more detail below, the use and form of these policies in the US and the UK are seen as in keeping with the wider use of means-testing and targeted social policy common to liberal welfare regimes and, in some accounts, the low wages and inequalities associated with (neo)liberal political economy.

How then does the development of in-work benefits in two countries perceived to be relatively similar in terms of political economy and welfare institutions compare with other contexts? The next section extends the discussion to more countries and focuses on the way in which research has set about making cross-national comparisons, bringing in different political and policy contexts.

2.2 The rise of in-work benefits across diverse contexts

This section reviews a handful of studies, situated predominantly in the grey literature⁸, to build a picture of developments in in-work benefits, albeit with different nomenclature, in countries other than the US and the UK from the late 1990s. It also draws on a smaller body of academic studies focusing on in-work benefits in select contexts, and broader studies analyse in-work benefits as part of a wider group of provisions or policy agenda. The literature discussed in this section comprises evidence that in-work benefits, loosely defined, have become more common since the turn of the century and that policies vary along numerous lines. However, in-work benefits are inconsistently defined in the literature and

⁸ Grey literature is a broad term used to refer to literature that is not peer reviewed or published by an academic publisher, including reports by think tanks. The bulk of the literature on in-work benefits that captures cross-national variation across countries takes the form of reports or working papers. In many cases these are detailed and useful, but there is no methodology discussing and describing the data sources, collection, analysis etc. Many are also snapshot studies.

there are several methodological shortcomings in existing cross-national research, limiting comparative insights into trends and variation in-work benefits over this time period.

In-work benefits and related measures were identified in a number of OECD countries from the late 1990s and early 2000s. Pearson and Scarpetta's (2000) often-cited report on 'make work pay' (MWP) policies group the in-work benefit schemes in the US and the UK, as discussed above, with related policies in France and Canada. In the report, MWP policies are defined partly by their shared aims, 'both to promote low-paid employment and to increase the incomes of those near the bottom of the income distribution' (Pearson and Scarpetta, 2000, p.17). The main target group of these policies are people on the margins of the labour market with little work experience and/or low skills. However, the policies discussed in the report vary in the 'stress they give to each of these two objectives', which the authors link to differences in the form and design of policies (Pearson and Scarpetta, 2000, p.17).

The report argues that the French policy, a rebate for family contributions and social security contributions introduced in 1996, is institutionally distinctive to the policies in the US and the UK; and therefore, not within the same category of in-work benefits (Pearson and Scarpetta, 2000, p.14). Where in-work benefits are means-tested and more targeted on a specific part of the low-skilled population, tax or social security rebate policies are distinctive as they apply to all workers with earnings below a certain level. The authors also maintain these differences are reflected in the costs of policies, with tax reductions costing more because they are less targeted.

Indeed, expenditure on France's rebate was greater as a percentage of GDP (0.6) than the US' EITC in the same year, which was approximately 0.3 per cent of GDP. But the rebate was close to the predicted cost of the UK's WFTC (0.66 per cent GDP) for the same year (ibid). Therefore arguments for separating out such policies do not necessarily hold when considering the increasing costs of US and the UK's in-work benefits (Bargain and Orsini, 2006, p.668). Targeting also constitutes an important within-category distinction in many policy areas and the extent of targeting or universality is a basis for comparing policies within the same category (Oorschot and Roosma, 2015; Esping-Andersen, 1990). The approach in the report to separately categorise schemes targeting employers, such as reductions in employer social security contributions, and employees, such as those described above, is arguably more meaningful as these comprise very different target groups in terms of risks, needs and status. Even still, the idea that the main beneficiaries of typical in-work

benefits are the working households that receive them is contested in the literature discussed below, which stress the relationship between in-work benefits and the interests of employers (Farnsworth, 2015). We return to this point later.

Later comparative reports provide further evidence of in-work benefits, or ‘employment conditional benefits’, in 2003, in Anglo-Saxon countries as well as in Belgium, France and the Netherlands (OECD, 2003). While most schemes detailed are in English speaking or Anglo-Saxon countries, the identification of policies in additional continental European countries captures what might be considered a significant shift (Kenworthy, 2015; Bosch and Gauthier, 2009). Moreover, the category of employment conditional benefits in this literature is important as variants of it reappear throughout the grey literature making use of OECD sources (OECD, 2018). The category includes earned income tax credits and in-work cash transfer schemes like those in the US and the UK, but also tax allowances, reductions in social security contributions (notably in Germany and in Belgium), as well as social assistance benefits with mechanisms that allow recipients to combine their benefits with earned income.

The US and UK’s archetypal in-work benefits, described above, and the OECD’s category of employment-conditional benefits are similar in the emphasis on eligibility requirements concerning recipients’ participation in paid work and because they imply a novel role for the state in income maintenance for working households. Yet, not all policies grouped under this category are solely for working recipients. For instance, social assistance benefits are categorised as employment-conditional benefits if they contain mechanisms such as earnings disregards, exempting a proportion of recipients’ earned income from the means-test that determines entitlement to the benefit. One of the main arguments for including benefits where employment is not an eligibility requirement is that they are ‘functionally equivalent’ policies that could have similar effects on the net incomes of working households (Immervoll and Pearson, 2009, p.18).

There are further examples of claims about trends in in-work benefits and inconsistencies in the policy parameters of research. For example, Bargain and Orsini (2006, p.669) later commented that ‘the idea of in-work transfers has been spreading in continental Europe too’. An OECD (2011) definition cited by Vandellannoote and Verbist (2017, p.2) describes employment conditional earning subsidies as ‘permanent work-contingent tax credits, tax allowances, or equivalent work-contingent benefit schemes, designed with the dual purpose of alleviating in-work poverty and increasing work-incentives for low-income workers’.

Thus, both the institutional form and the objectives of policies form the basis of the definition.

Another OECD paper in 2009 identified ‘employment conditional earning subsidies’ in 16 out of 30 OECD countries (Immervoll and Pearson, 2009). However, the authors argue that not all transfers and tax concessions constitute in-work benefits, instead stressing that ‘the defining feature of IWB is that they are conditional on employment and that they create distinct incentives for some groups to increase working hours or work effort’ (Immervoll and Pearson 2009, p.16). Moreover, Immervoll and Pearson’s (2009, p.18 - 19) report provides a detailed snapshot of both ‘temporary’ and ‘permanent’ in-work benefits in OECD countries. The temporary schemes align more closely with active labour market policy targeted predominantly on the unemployed, not ‘wage-subsidisation’ per se. Permanent schemes, however, are identified for 14 OECD countries in 2007. Alongside English-speaking OECD countries, policies are identified in Korea, Slovak Republic, the Netherlands, Belgium, Finland, Sweden, France, Germany and Hungary. The list does not appear to be exhaustive (the others note that ‘smaller programmes may exist in other countries’) but the variety of countries beyond liberal welfare states is noteworthy.

The types of schemes identified are earned income tax credits, social security reductions for employees and in-work cash transfers (ibid). Social assistance schemes that can be combined with earnings are not included. Some of the earned income tax credits are ‘refundable’ like the US model, whereas others can only reduce tax liability but do not lead to a transfer i.e. they are ‘non-refundable’. There is little detail of the costs of schemes, but the authors point to variation in policy design and identifies several salient aspects, including: whether benefits are only for working parents, if the number of children affect the benefit amount, how much work or earnings are required to be eligible for the benefit, the benefit unit, taper rate, and rules concerning the treatment of earnings and work hours (Immervoll and Pearson, 2009, p.19–24).

The report also details the technical trade-offs involved in designing in-work benefits. A key fault line is between whether the family or individuals are the benefit unit. In short, family provisions being better suited to redistribution, whereas individual provisions are better geared towards employment goals, as they ‘avoid the adverse effect on second-earners’. Approximately 50% of the policies identified are only available for households with children. The authors attribute this to a ‘particular concern for child poverty and wellbeing, and recognition that work is the most promising route out of poverty’ (Immervoll and

Pearson, 2009, p.19). The lens through which in-work benefit variation is analysed differs to some of the research discussed for the US and the UK that illuminated the social and political dynamics underpinning, for example, ‘fiscal’ in-work benefits (Howard, 1997, Clegg, 2015) or conditionality (Wright et al., 2018). Yet, the analysis illuminates that there are likely to be competing interests and logics at play concerning the design of policies that are likely to be important for comparing policies across contexts.

Moreover, the most recent cross-national (working) paper on ‘employment conditional earning subsidies’ identifies schemes in 17 countries, including many non-English speaking countries (Kenworthy, 2015). They are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Japan, Korea, Netherlands, New Zealand, Portugal, Sweden, United Kingdom and the United States. Unlike Immervoll and Pearson (2009), the schemes included were not solely targeted on working households. For example, social assistance policies with earnings disregards facilitating the receipt of social assistance with paid work, identified in Denmark and Portugal, appear in the list of relevant provisions in the report (Kenworthy, 2015, p.29).

In sum, the reports discussed above provide examples of various policies that resemble, to varying degrees, in-work benefits in the US and the UK. However, they arguably do not constitute robust evidence of trends and variance in in-work benefits. Most focus on one point in time and discuss examples of policies and their features but it is not clear how and why certain policies are identified and included in the analysis. There is only patchy detail on expenditure (i.e. for select countries and years) on in-work benefit policies, constituting limited insights into variation in the ‘commitment’ to in-work benefits across countries and time⁹. For example, even as the number of countries increases, it may be that some have retrenched in-work benefits over time (Clegg, 2015). Finally, the lens applied to interpret variation in the form and design of policies is mostly technocratic in line with the evaluative emphasis in the reports. As the purpose of these papers is to provide policy context and a summary of literature on the effectiveness of in-work benefits, these limitations are not detrimental to their purpose. Nevertheless, the studies constitute limited empirical foundations for understanding of the development of in-work benefits cross-nationally and over time, especially the political and social dimensions that have been drawn out in some of the literature on the US and the UK.

⁹ Nearly all of the literature discussed thus far uses OECD *Employment Conditional Earning Subsidies* data, which does not contain indicators of expenditure and is only available for select years (OECD, 2010).

Some of these gaps are partly filled by academic research applying either a broader or narrower lens. A study by Marchal and Marx (2018, p.22) contributes robust insights into cross-national variance in in-work benefits and change over time through analysis of government policies ‘supporting’ families with low-wages through simulations across 15 EU member states for the period 2001 – 2012, looking at ideal-type model households. They find further evidence of the ‘fiscalization’ of support for low-wage workers in European countries as governments use tax allowances, tax credits and social insurance rebates to reduce the liabilities of these populations and boost net incomes (Marchal and Marx, 2018). This finding is based on the substantial tax reductions in some countries studied where taxes were still relatively high at the start of the period studied (Marchal and Marx, 2018, p. 25–26). Additionally, households without children are found to be more likely to have their incomes boosted solely through tax measures whereas households with children are also reliant on benefits. As Marchal and Marx (2018, p.28) state:

‘Benefiting from child tax allowances and tax credits, tax liabilities for low-wage families with children were already very low to begin with, but even so, further decreases were common. By 2012, average tax rates for low-wage families with children in most countries approached zero.’

Unlike the reports discussed above, there is a clear methodology underpinning this research, which simulated income components for model households using a database compiled through consultations with country level experts (Marchal and Marx, 2018). However, the analysis is concerned with changes in net income components, not with the details of policies for each country, such as when they were introduced, their form and design, and how much they cost. Such details are, given the cases of the US and the UK, important indicators of the variation in the social and political dimensions of provisions. Additionally, the workers in all model households were working full-time at minimum wage. For couple households, one was assumed to be working full-time and the partner inactive. Policies targeting and/or available to households with different working hours and arrangements are therefore not covered in this analysis.

There are also two national case studies of the politics of in-work benefits in Germany and France. The explanations they provide for the introduction of schemes in these contexts is discussed in the next section. The main point here is that the studies illuminate the different approaches to in-work benefits apparent in non-liberal countries. First, Vlandas’ (2013) case study of France discusses two in-work benefit provisions: a refundable tax credit, the

‘Employment Bonus’, (*Prime Pour l’Emploi*, or PPE) introduced in 2001 (Vlandas, 2013, p.120), and a social security benefit, ‘Active Income of Solidarity’ (*Revenu de Solidarité Active*, or RSA), introduced in 2008. RSA merges social assistance and lone parent benefits and can be received by households in and out of work (Vlandas, 2013, p.121). Just one element of RSA, (*RSA activité* or RSAA) constitutes an in-work benefit as it ‘targets those that do have a job but earn less than a certain threshold (ibid)¹⁰. The study shines light on the cost of the RSA policy as a whole (1.5 billion euros) but not the in-work benefit element, RSAA¹¹.

Clasen (2019) analyses the development of Germany’s main in-work benefit scheme introduced in 2005. Similar to the UK’s Universal Credit and France’s RSAA, Germany’s ‘integrated minimum income scheme’, officially unemployment benefit II or ‘basic allowance for jobseekers’, known also as ‘*Hartz IV*’, is ‘the principal national IWB system in Germany (Clasen, 2019, p.6). Although it is a social assistance/ unemployment benefit, about a quarter of all recipients are in paid employment (ibid). Thus, in both France and Germany, de facto in-work benefit policies that do not possess some of the key features of archetypal in-work benefit policies but are considered in-work benefits in these national contexts.

In-work benefits also feature in comparative accounts of other policy categories and agendas. For example, in-work benefits are also grouped with active labour market policies (ALMP), as ‘incentive reinforcement’ policies (Bonoli 2010). However, when looking at the details of studies of these broader policy areas, the empirical analysis of in-work benefits is limited to non-existent as research on ALMP has been primarily concerned with policies targeting the (long-term) unemployed and the comparative data employed to research ALMP reflects this (e.g. Bonoli, 2013)¹². In-work benefits are also defined on the basis of what they are not. For example, in a study of social investment, Hemerijck (2013, p.132), refers to in-work benefits along with other ‘proactive’ reforms (in contrast to ‘passive’ out-of-work income support) that ‘were designed to accommodate markets, under conditions of austerity, rather

¹⁰ The money for the RSA was to be raised through new taxes, unlike most other social security policies in France (Vlandas, 2013, p.121). However, take-up of RSA activité was low, limiting its redistributive effects. In part this is attributed to recipients’ behaviour as being driven by concerns other than financial incentives (ibid).

¹¹ There are additional examples of institutionally diverse policies being classified as in-work benefits in the academic literature. For example, social security contribution reductions or exemptions are also classed as in-work benefits in some countries, notably Belgium and Germany, where these payments are traditionally high (Peeters et al., 2008).

¹² Bonoli (2013, p.128) discusses the introduction of a non-transferable tax credit in the Netherlands in the 2001 tax reform alongside the individualisation of the tax system, which can also ‘be paid out as cash for those who have no income from work’. He argues the main beneficiaries were dual-earner couples.

than to correct them’ – and thus not clearly aligned with social investment. This description, however, feeds into explanation, which we return to below.

The premise that in-work benefits accommodate the market is echoed in studies of the UK and the US, where authors conceptualise in-work benefits as ‘corporate welfare’ or ‘neoliberal’ social policy. Both consider in-work benefits to be publicly funded provisions that primarily serve the interests of employers, as they are able to pay lower wages and increase profits at public expense (Farnsworth, 2015). Relatedly, in-work benefits in the UK and other English-speaking countries have been conceptualised as ‘neoliberal workfare’ and associated with the decline of labour market institutions that put pressure on employers to ensure income security among working households, and with the changing role of social security to subsidise low wages and offer less protection to households out of work (Grover and Stewart, 1999; Grover and Stewart, 2002).

Another strand of research considers in-work benefits alongside other benefits and services received by working households, mainly focused on alleviating hardship, reducing inequality or promoting other outcomes (e.g. health). For example, according to McKnight et al. (2016, p41), ‘[t]here are a number of different forms of in-work benefits such as assistance with housing costs, help with medical expenses, food vouchers or assistance with the cost of school meals...’. These studies focus on the entire package of benefits and services received by working households, rather than the variation in policies employed across countries towards these ends.

In sum, the ways of defining and conceptualising in-work benefits in the literature can be summarised as follows:

- 1) In-work benefits are defined by their institutional characteristics, e.g. eligibility tied to being in paid work (relatively restrictive definition in terms of policies included/excluded).
- 2) In-work benefits are ‘functional equivalent’ policies (looser institutional parameters).
- 3) In-work benefits defined in relation to ‘twin’ policy goals of reducing unemployment and alleviating in-work poverty.
- 4) In-work benefits are a sub-category of an overarching agenda, such as ‘make work pay’.
- 5) In-work benefits conceptualised in relation to political economy, e.g. (neo)liberal political economy/ corporate welfare/ social investment.

These approaches are not mutually exclusive. However, the assumptions about how and why to compare in-work benefit policies and the conceptualisation of policy for cross-national comparison differ across the approaches. For example, research defining in-work benefits in relation to the stated policy aims tend to (although not necessarily) view policies in a technocratic/apolitical light, overlooking the interests which are seen as embedded within in-work benefits in the fifth approach. These differences are discussed further in the next section.

In sum, in-work benefits and closely related policies have become more commonplace across capitalist democratic countries from the late 1990s onwards. Yet, the lack of systematic research into in-work policies across countries and over time, coupled with the contested definition and ways of conceptualisation in-work benefits, limit what we know about the extent of in-work benefit trends and variation. This poses problems for developing and assessing theories of why in-work benefits vary across countries and time, which are considered in the next section.

2.3 Explanations for the rise of in-work benefits

The final substantive part of this chapter examines theories and arguments about why governments implement and reform in-work benefits, and why policies vary across countries and time. It draws on wider claims and assumptions in the grey and evaluative literature on in-work benefits, and on the small body of research into the politics and the political economy of in-work benefits.

Across most of this literature, the introduction of in-work benefits is associated with socio-economic pressures. For example, the introduction of in-work benefits in the 1970s in the US is associated with economic downturn and problems of unemployment, poverty and inflation that became more pronounced during this period (Falk and Crandall-Hollick, 2016, p.10). In the UK, Millar (2009) argues FIS was introduced as a temporary measure because of heightened concerns about poverty among working households also during a time of economic downturn. Grover and Stewart's analysis (2002, p.136) shows that advocates of reforms saw in-work benefits as a policy tool that would help to offset deprivation among working families with low earnings in the challenging economic context of the 1970s.

These arguments about socio-economic pressures are modified in later accounts of in-work benefits and related measures across other OECD and European countries from the late 1990s onwards (Immervoll and Pearson, 2009; Kenworthy, 2015; Marchal and Marx, 2018).

In this work, in-work benefits are widely understood to be policy tools for countering ‘in-work poverty’ as well as unemployment and underemployment. The processes driving these problems are understood to be related more concretely to the longer-term restructuring of the economy and society, including deindustrialisation, globalisation, tertiarization, ageing societies, women’s increased labour market participation, and immigration. The fiscal constraints, economic competition and concerns with individual-level financial barriers to employment created by tax and benefit systems also feed into these narratives.

While these factors and processes are commonly referenced in relation to in-work benefits, arguments about the relationship between these factors and the implementation of in-work benefits differ across studies and are largely not followed through with empirical research. For example, some researchers argue governments ‘respond’ to problems of unemployment and in-work poverty with in-work benefits and/or related measures. Commenting on make work pay policies, including in-work benefits, Immervoll and Pearson (2009, p.5) state:

‘The twin problem of in-work poverty and persistent labour market difficulties of low-skilled individuals has been one of the most important drivers of tax-benefit policy reforms in OECD countries in recent years.’

Such arguments about in-work benefits and related reforms are common but also ambiguous in the theorised relationship between such ‘problems’ and policymaking. For example, it is not clear exactly how and in what circumstances national governments implement reforms to counter these problems. Moreover, it is also unclear when and why countries experiencing these pressures would opt for in-work benefits over other ‘make-work-pay’ policies and, further still, which model of in-work benefits they would implement. These arguments thus lean towards ‘unduly functionalist’ theories of policy making, which overlook the political aspect of policy decisions (Clasen, 2019, p.10) i.e. the competing interests and values in democratic capitalist societies that feed into preferences among voters and political actors for certain policy responses.

Some researchers identify additional pressures and processes that make in-work benefits more likely, such as policy agendas at the supranational and international level in which in-work benefits are advocated as an appropriate policy response to the risks associated with the prevailing socio-economic context (Hemerijck, 2013). In particular, the European Union has encouraged its member states to address inadequate incomes through work using a variety of tools, including in-work benefits (Marchal and Marx, 2018). As employment has become an increasingly important goal of social policy, policy makers have been encouraged

to take action to ensure that it does indeed ‘pay’ to work. As Marchal and Marx (2018, p.19) explain:

‘Increasing the number of people in work was at the core of the Lisbon Strategy and it remains central to the current Europe 2020 strategy.... The notion that ‘a job is the best protection against poverty’ became a central tenet of EU policy during the Lisbon era and thereafter.’

These arguments overlap with agendas and initiatives promoted by the OECD and the European Union from the 1990s and internal pressures to rebalance financial incentives, by retrenching ‘passive’ policies, such as earnings-related out-of-work benefits, and introducing or expanding tax and transfer measures that were oriented around financial incentives to work (Hemerijck, 2013, p.129–132; Clasen and Clegg, 2006). As with arguments about socio-economic context, such explanations have not been the focus of in-work benefits research. Researchers have not specified how and when the EU’s agenda influenced national governments to implement in-work benefit reforms. Indeed, studies of other policy areas identify national political and institutional factors as shaping countries’ responses to these agendas (Garritzmann et al., 2017).

We get somewhat closer to understanding in-work benefits with respect to problem pressures in studies emphasizing the interaction of political, economic and social factors. For example, Bargain and Orsini (2006) point to the perceived constraints on governments in deindustrialized societies, which make expenditure on in-work benefits more permissible over other social policies. They argue:

‘Such instruments are often seen as more politically acceptable than a rise in social assistance and more desirable given the fear of increasing work disincentives; they are also seen as more efficient than an increase in the minimum wage, which might push up wage rates above the market equilibrium (Bargain and Orsini, 2006, p. 669).

Spending on in-work benefits is therefore understood as more politically legitimate than, for example, expenditure on social assistance and unemployment benefits, and could be employed to address concerns about unemployment and poverty simultaneously (Grover and Stewart, 2002; Hemerijck, 2013; Millar, 2009). And arguments about financial (dis)incentives prominent in policy discourse may help to explain why in-work benefits are used in some contexts (Hemerijck, 2013, p.131; Grover, 2005; Bennett and Millar, 2005). However, the explanation as to why governments may prioritise in-work benefits over

minimum wages downplays the political differences between these strategies (Millar, 2009, p.234).

Moreover, differently designed in-work benefit policies are also understood to reflect priorities given the trade-offs (De Luca et al., 2012; Marx et al., 2012). For example, household means-tested schemes such as those in the UK and the US are most effective in targeting resources on low earners but they also create strong work disincentives for second earners in a household (mainly women) (McKnight et al., 2016; Immervoll and Pearson, 2009). As such, reducing unemployment and/or poverty could be understood to be a high priority, even if it restricts women's capabilities. Where there are flatter wage distributions, in-work benefits can be expensive as the eligible population is larger and benefit levels will need to increase more sharply to incentivise earnings above a certain level (Immervoll, 2012; Immervoll and Pearson, 2009; Kenworthy, 2015). McKnight et al. (2016, p.71) also point out that in-work benefits in some Southern European countries are harder to target because there are several adults in a household. Yet, as outlined above, these studies mainly conceptualise trade-offs in technical terms.

The limits of these perspectives for understanding how and why countries vary in their use of in-work benefits are highlighted in research on why governments use in-work benefits and the processes behind reforms in select contexts. For example, Howard (1997) finds that at the time the EITC was introduced, minimum wages, minimum income schemes, public employment programmes and further child allowances were rejected as a means for raising living standards for the working poor by politicians. Opposition to minimum wages and public employment schemes by Republicans was on the grounds that such measures constitute an unacceptable level of state intervention in the 'market' at a time where there had been a rejection of Keynesian economics (Ventry Jr, 2000b). Instead of investment, tax cuts for both individuals and business, and cuts in other forms of public expenditure, had become the preferred response that was seen to be conducive to growth.

Yet, the EITC, a form of expansion, was permissible as it was interpreted as 'anti-welfare', which aligned with preferences for limited state intervention and social and political opposition to 'welfare dependence' among certain parts of the population (Howard, 1997; Ventry Jr, 2000, p. 983). At the same time, as a means-tested benefit for the working poor, it was also interpreted as anti-poverty and pro-work, in line with Democrats' ideals and interests in meeting the demands of parts of the electorate that were vital for its success. Thus, a shift in the overarching economic paradigm, along with political party ideology and

the ability of political actors to see the EITC as a targeted tax measure as aligning with the interests of their core constituents or supporters, were pivotal to its introduction and longevity.

Two prominent researchers of the political economy of in-work benefits in the UK, Grover and Stewart (2002), identify similar justifications for in-work benefits across the political spectrum throughout history. However, oriented in the Neo-Marxism of the French Regulation School, in-work benefits, as with other social policies, are theorised as being subservient to dominant mode of production and consumption. They argue that income maintenance policies, including in-work benefits, ‘can be understood as being more than just the state’s response to the existence of individual financial need and ‘are closely related to and are shaped by wider concerns relating to economic efficiency’ (Grover and Stewart, 2002, p.21, 175). From this perspective, the accumulation regime – that is, ‘the specific configuration of economic activity’ for economic growth and consumption – is always maintained and legitimated by the ‘social mode of economic regulation’, which from the 1970s included in-work benefits and out-of-work benefits oriented towards enforcing participation in low paid work (Grover and Stewart, 2002, p.4).

More specifically, the authors position in-work benefits as being part of the shift from Keynesian accumulation, supported by social policy based on the insurance principle of paying people while out of work, to neoliberal accumulation, defined by ‘liberalising of markets, the promotion of free markets, deregulation of free individuals from the control of the state and a commitment to, and encouragement of, internationalised markets’ (Grover and Stewart, 2002, p.6). The supporting social policy of the latter is one ‘whereby people in low-paid and/or part-time employment are subsidised through wage-top ups (in-work benefits and ‘tax credits’)’ (ibid).

While the argument that in-work benefits are part of (neo)liberal market economies has some merit in that in-work benefits have the longest history in the US and the UK, the theory is not elaborated for other less ‘liberal’ welfare states. This is especially important given that in some countries in-work benefits may be targeted on a specific part of the population, and therefore not necessarily signify a more expansive low wage subsidisation approach (Immervoll and Pearson, 2009, p.18). In a similar vein, certain sub-types of in-work benefits appear to reform or reconfigure other aspects of tax and benefit systems (e.g. reductions in social security contributions). It is not clear whether this diverse range of measures in terms of the institutional form and varied design signal a uniform area of policy development and

the role of existing institutions in creating (positive or negative) ‘feedback effects’ (Weaver, 2010).

The role of in-work benefits across diverse contexts speaks to debates about convergence and divergence of social policies across advanced capitalist countries, which are considered further in the theoretical framework chapter of this thesis (Chapter 3). Nevertheless, it highlights that one of the unknowns about in-work benefits is the extent to which policies align with or depart from countries’ historical institutions, and whether they reproduce the logics or interests of previous policies or indeed serve to adjust or erode them.

Kenworthy’s (2015) discussion paper ends by exploring some of these themes. He argues that moderate or high in-work cash transfers or tax credits are more common in countries with low collective bargaining and weak unions— what he calls the ‘Anglo-Path’ for employment conditional earning subsidies (Kenworthy, 2015, p.24). In contrast, he provides examples of ‘small, sector specific or temporary’ in-work benefits in countries with stronger unions and higher collective bargaining coverage. The exception to this is Germany, which is seen as going down the ‘Anglo-path’. It is also implied that there may be a third model of in-work benefits with features of social democratic social policy, based on the case of Sweden, which introduced a large, near-universal earned income tax credit in 2007 (ibid).

Relatedly, Vlandas (2013) argues in-work benefit reforms in France are indicative of a deviation from the institutional parameters of Bismarckian social policy on a number of counts, including the targeting of social policy on ‘labour market outsiders’ in an insider-oriented context. Thus, there may be different interests driving reforms across countries and over time, with varied significance depending on the context in which they are employed.

Despite different theoretical starting points, our understanding of why in-work benefits have become more widespread is constrained by a lack of systematic comparative research on in-work benefits, including where and when in-work benefits are used, the form these take, and the size/importance of these schemes (relative to other kinds of social policy). Thus, theories of how and why countries vary in their use of in-work benefits are limited in terms of understanding how, if at all, they apply to other contexts. The lack of consensus over what policies constitute in-work benefits and why also represents a ‘a dependent variable problem’ for comparative in-work benefit research (Clasen and Siegel, 2007).

In sum, there are several explicit and implicit theories as to why more governments have used in-work benefits, in their varied forms, but such questions are not the main focus of in-

work benefits research to date. There are many examples of functionalist assumptions and/or theory that is underdeveloped. National case studies are helpful in highlighting the role of political, economic and social drivers of reforms and further illuminate the idiosyncrasies of national provisions, but it is not clear how/if these apply to other countries (and points in time), especially those with different political economy configurations.

2.4 Conclusion

This chapter reviewed the literature on the origins and development of in-work benefits as a foundation for cross-national comparative research on in-work benefits in EUMS. This review has identified three main gaps in in-work benefits research from a comparative perspective. These are:

1. The limited systematic research into in-work benefits cross nationally and over time.
2. Inconsistencies in the definition and conceptualisation of in-work benefits creating a ‘dependent variable problem’.
3. The competing and untested theories and assumptions about the drivers of in-work benefit variation, which are ill-equipped to deal with the diversity apparent in the design and form of provisions across countries.

The lacunae in the literature are interrelated. Gaps in systematic research into in-work benefits cross-nationally and over-time, and the predominance of evaluative in-work benefits research underpinned by neo-functionalist and/or technocratic assumptions, provide limited scope for developing theory about variation in countries’ policies across countries and time, including whether such policies are employed at all, and then the scale and design of those in place. As in-work benefits in a comparative perspective have mainly been studied through a technical lens, the empirical evidence on in-work benefits is structured in a way that is hard to probe from other angles.

A promising angle for understanding in-work benefits were arguments that aimed to conceptualise and theorise about in-work benefit variation with respect to the varied political economy of advanced capitalist countries (Kenworthy, 2015). This angle is underexplored. A key argument to be considered in comparative research, which for some may have normative weight, is whether countries’ in-work benefits symbolise a direction of travel down the Anglo- or neoliberal path, or whether in-work benefits are used to different ends across varied welfare states. Yet, what can be loosely referred to as ‘convergent pressures’ such as socio-economic pressures and liberalisation, are also likely to be significant, even if the effects of these factors play out differently across national contexts.

The review in this chapter thus leads one main research questions and two sub-questions.

- 1) What is the nature and extent of variation in in-work benefits in EUMS?
 - a. Have in-work benefits become more commonplace in recent years?
 - b. How common are archetypal in-work benefit policies associated with liberal regimes?

The first research question is broadly descriptive and concerns the gaps in the evidence base on cross-national variation and changes over time in in-work benefits in capitalist democratic countries. For practical and theoretical reasons that are elaborated in the subsequent chapters, the thesis focuses solely on EUMS, as these represent a diverse range of welfare states and there is scope for systematically comparing developments, drawing on multiple data sources.

The first sub-question is specifically concerned with the debate in the literature about whether in-work benefits have become more widely used in EUMS in recent years. The third, related question, concerns whether policies that could be categorised as in-work benefits across varied contexts resemble the means-tested in-work cash transfers and targeted refundable earned income tax credits historically associated with the UK, or whether different approaches, similar to those outlined in Section 2.2 for Germany and France, for example, are used.

In order to structure and interpret the empirical components of the research addressing these questions, a conceptual and theoretical framework is developed in the next chapter that aims to situate in-work benefits with reference to the wider political economy and social policy context in which they are used. This forms the basis of the (re)conceptualisation of in-work benefits in this thesis and is used to establish the policy parameters of the research. The framework also brings in broader theories and analytical tools for situating in-work benefits with respect to differences and similarities across capitalist democratic countries historically, and arguments about the nature and extent of change over the period that in-work benefits are said to have become more widely used, to set the broader backdrop of the research. Furthermore, moving beyond the technical lens applied in comparative in-work benefits research, part of the framework is developed to identify and compare the salient features of in-work benefit policies, considering the logics and interests about the role of the state, the family and the (labour) market in capitalist democratic countries. Two additional research questions, based on the framework, are also set out at the end of the next chapter (Chapter 3).

3 A TWO-PART FRAMEWORK FOR INTERPRETING TRENDS AND VARIATION IN IN-WORK BENEFITS

This chapter sets out the theoretical and conceptual framework, which draws on the comparative political economy and welfare state literature, as well as perspectives emphasizing the socio-political dimensions of social policy, to structure and interpret comparative analysis of variation in in-work benefits across EUMS – a sample of capitalist democratic countries – and over time.

The aim of the chapter is *not* to develop hypotheses about in-work benefit variation to be tested in empirical analysis. The main argument against doing so is that current scholarly understanding of in-work benefits in a comparative perspective is limited by gaps in the evidence base and the limits to current definitions and ways of conceptualising in-work benefits for comparative research. A priori theorisation about the determinants of in-work benefit variation would therefore be a highly speculative exercise, with unclear boundaries in terms of actual instruments and the salient features of policies. The main purpose of the framework is therefore to shape the structure, focus and interpretation of a wide-reaching study exploring the development of in-work benefits in EUMS.

Yet, in line with the literature informing the framework, in-work benefits cannot be understood independently of context. As we understand them, in-work benefit policies have implications for the role and responsibility of the state, as well as that of employers and the family, in providing resources to those engaged in paid work, which could serve to reinforce or disrupt existing socio-economic and political dynamics. Similarities and differences across EUMS are therefore important for understanding how and in what ways in-work benefits contribute or break away existing arrangements and their associated outcomes. Such questions are at the core of analyses distinguishing between capitalist democratic countries historically, as well as questions about the nature and extent of change in democratic capitalist countries in recent decades, corresponding with de-industrialisation among other forms of social, economic and political transformation.

The framework is developed in two main parts, split across two main sections in this chapter: The first part (Section 3.1) sets up the ‘big picture’ with which to interpret trends and variation in in-work benefits. After setting out the characteristics and usefulness of ideal-type frameworks of variation in political economy and social policy capitalist democratic countries, arguments about the influence of contemporary pressures on social policies in these contexts are also considered for the framework.

The second part (Section 3.2) of the chapter develops the conceptual framework for more focused analysis of variation in in-work benefit policy that speaks to historical and contemporary context. It does so by homing in on the concept of ‘dependency’ as a key fault line across capitalist democracies, reflecting interests and logics concerning the role and responsibility of the state, family and the market. It sets out a ‘dependency relationships’ framework, which is used to tentatively define in-work benefits and compare the salient features of policies, considering the ways and extent to which provisions are oriented towards fostering or reinforcing different forms and degrees of dependence on the state, the labour market and the family for working households.

The two sections are thus inexorably linked. The perspectives that focus on historical and contemporary context discussed in the first part of the chapter inform the dependency framework in the second half of the chapter, which examines the design features of in-work benefit policies. This in turn also helps to develop a comparative understanding of variation in in-work benefits with respect to context.

3.1 The big picture: Contextualising trends and variation in-work benefit policies in capitalist democracies

This section sets out broader part of the theoretical framework, which draws on overlapping bodies of work from comparative political economy, welfare states and social policy¹³. Notwithstanding the theoretical diversity within this literature, these perspectives lead to an interpretation of social policy and therefore in-work benefits as a constituent part of an interconnected set of historically constituted institutions. Such institutions are underpinned by and reinforce social, political, economic and cultural dynamics within countries. More substantively, it builds on ideal-typical models at the core of this literature as analytical tools for situating in-work benefits in relation to the (varied) historical institutional context of capitalist democratic countries. It also considers arguments about challenges and changes in de-industrialising societies leading to similar policy responses that are relevant for in-work benefits. Key concepts linking the interaction and role of the state, the market and the family as sources of welfare to the features of social policies are adapted later in the chapter for comparative analysis of in-work benefits. The consideration of contemporary and historical context thus shapes the broad framework as a means for exploring and interpreting trends and variation in in-work policies. The questions emerging from this part of the framework and the implications for the research are summarised in the final sub-section.

¹³ Political theory and sociological influences also feed into this literature.

3.1.1 Historical comparative context: the (varied) role of social policy in capitalist democratic countries

At the crux of the framework is the argument that in-work benefits, as with other social policies, cannot be understood independently of political-economic and social dynamics at the national level, that are crystallised in institutional configurations. This broad theory of social policy is illuminated in holistic, ‘systemic’ frameworks in comparative historical institutionalism and welfare state literature that identify ‘...linkages across all of the major institutions which define capitalist political economies,’ including social policies (Thelen, 2012, p.138). In broad terms, institutions are defined as ‘the humanly devised constraints that structure political, economic and social interaction...’ consisting of both informal constraints (e.g. customs and traditions) and formal rules (e.g. laws) (North, 1991, p. 97). Social policies are considered a form of institution by some scholars, such as Pierson (2004, p165) who argues policies are ‘central rules governing their [individuals and social organisations] actions... [that] specify rewards and punishments associated with certain behaviours’.

Arguments concerning the role of institutions in structuring future policymaking that are central to these frameworks are thus important for considering the possibilities for the adoption of in-work benefit policies across countries¹⁴ (Emmenegger, 2010; Pierson, 2000). For example, notions of path-dependent policymaking are understood to occur as institutions shape preferences of political actors (and the public) by baking in interests and logics in existing arrangements, thus leading to broadly distinctive patterns of policy development across democratic capitalist countries (Hall and Soskice, 2001; Hall, 2016; Pierson, 2000; Hall and Thelen, 2009; Lynch and Rhodes, 2016).

However, as set out below, there are several important arguments that challenge institutionalist theories of path-dependency, which point to social, political and economic transformation in deindustrialising societies. Indeed, in-work benefits have been considered a path-breaking policy outside of liberal welfare states (Vlandas, 2013). Analysing in what ways and to what degree in-work benefits depart from past institutions therefore becomes an important question for research aiming to understanding the political, economic and social

¹⁴ There are multiple theories within this literature about why (and how) capitalisms and social policies vary. But in broad terms path-dependency is seen to occur as political and/or economic actors are unwilling or unable to stray from established institutions due to the costs or consequences in doing so, and/or the rewards in serving the same established interests and logics, known as “feedback effects”. For example, political actors or parties may lose voters if they overhauled existing institutional arrangements, and/or they would disrupt the equilibrium that allows the model of capitalism invested in over a long period to function effectively.

dynamics associated with in-work benefits, which can feed into future theoretical models attempting to explain variance between countries.

As such, historical variation across welfare states, especially in institutions concerning work and the income of working households, is an important part of the context for this examination of in-work benefits. For this, I turn to two well-known ideal-type models of varied forms of democratic capitalism and welfare states which, helpfully for analytical purposes, condense and simplify complex and multi-faceted differences and similarities between countries. The first is Hall and Soskice's (2001) seminal *Varieties of Capitalism* ("VofC") framework, which is a cornerstone of a much broader field of comparative political economy (CPE) because of its identification of two broad models of democratic capitalism in advanced capitalist countries – 'coordinated market economies' (CMEs) and 'liberal market economies' (LMEs). The second is from Esping-Andersen's (1990) seminal welfare regimes contribution in the *Three Worlds of Welfare Capitalism* and its threefold typology of conservative, social democratic and liberal welfare regimes. Building on this typology, an additional regime consisting of southern European or Mediterranean countries is commonly identified (Ferrera, 1996).

Starting with VofC, the institutions in countries classified as CMEs are oriented towards a more regulated form of capitalism. In terms of wages, an area that in-work benefits cut into, CME institutions 'support high levels of co-ordination among producer groups... facilitating co-ordinated wage bargaining' (Hall, 2017, p.4; Hall and Soskice, 2001, p.8). The second policy domain relevant for in-work benefits, social benefits and notably unemployment benefits, are typically insurance-based and earnings-related with high replacement rates (Thelen, 2014). In contrast, LMEs are characterised by less regulation, and lower and often means-tested social benefits. The relationship between employers and labour representatives is less cooperative and producer groups do not hold 'veto player' status in public policy making (Hall and Soskice, 2001, p.8). In broad terms, capitalism in CMEs is considered more egalitarian than in LMEs as the state is less reluctant to 'interfere' with the market in the latter.

Six countries are classified as LMEs, including the USA, Britain, Australia, Canada, Ireland and New Zealand (Hall and Soskice, 2001, p.19), most of which are associated with longer running in-work benefits (Immervoll and Pearson, 2009). Ten countries are classified as CMEs, including Germany, the Netherlands, Belgium, Denmark, Finland and Austria (Hall and Soskice, 2001, p.21). The remaining EUMS the authors examine, which include Italy,

France, Spain, Portugal and Greece, are considered more ambiguous and they suggest that there may be a distinctive ‘Mediterranean’ political economy, which has liberal qualities in labour relations, and a distinctive kind of coordination based on the size of the agrarian sector and considerable state intervention (ibid).

These broad differences in political economy are alluded to in the literature on in-work benefits set out in the previous chapter. While comparative research is limited, it is suggested that in-work benefits do not fit with traditional CME arrangements as policies on wages and income maintenance policy involve negotiations between employers and labour representatives, and in some contexts the state) (Kenworthy, 2015). Thus, if wages should be set at a level that both employers and labour representatives deem acceptable, publicly funded ‘wage subsidies’ would be irrelevant or illegitimate in terms of the perceived and negotiated responsibility of employers. In broad terms, the use of in-work benefits in CMEs may therefore be considered ‘path-breaking’. In contrast, LME institutions are oriented towards economic competitiveness through less intervention in the market and low wages. In the VofC logic, if low wages are at odds with the functioning of LMEs (e.g. by increasing unemployment as a result of poor financial incentives), the institutional arrangements are such that the state can intervene without social partners as veto players, using means-tested in-work provisions to top up low wages and offset disincentives. Although not referring to VofC explicitly, a version of this argument has been made about the political economy of in-work benefits in the UK (Grover and Stewart, 1999).

While situating in-work benefits with respect to a wider set of political economy institutions, the analysis of income maintenance policies using the VofC framework is limited for interpreting variation in the qualitative features of in-work benefits, identified as a site of variation in the studies outlined in Chapter 2, and the objectives and interests these are oriented towards (OECD, 2003; Immervoll and Pearson, 2009). Moreover, VofC emphasizes the relationships between rational economic actors in the historical evolution of institutions in capitalist democracies and it side-lines what elsewhere are identified as significant socio-political and cultural factors shaping labour market and social policy historically¹⁵.

¹⁵ At the core of framework is the institutional preferences of economic agents, which, when faced with ‘external’ economic changes, are seen to be ‘relatively inelastic’, with ‘marginal’ institutional reform in line with ‘the logic of the institutional-make up,’ being the most likely process (Hall and Soskice, 2001, p.220). More flexible and nuanced interpretations of different capitalisms and social policy regimes, which emphasize political dynamics and interests over the economic efficiency focus of VofC, formed the basis of the framework. However, VofC is pivotal to the literature integrated into the framework and its insights into corporatist institutions, such as collective bargaining, are important for situating in-work benefits with regards to concerns about liberalisation.

In contrast, Esping-Andersen (1990, p.26-28) paid more attention to the varied mobilisation of the interests of socio-political groups, including the role of political ideology and religion, alongside economic factors. He applied and developed this theory through empirical analysis of the rules and features of social policies, using concepts that bridged the gap between these complex socio-political and economic dynamics and variation in the design and rules of actual social policies¹⁶.

The first of these concepts, *de-commodification* is defined as the ‘degree to which [welfare states] permit people to make their living standards independent of pure market forces’ (Esping-Andersen, 1990, p.17; 21). Second, *stratification* refers to how ‘existing status or class differences’ are reinforced or reduced through social policies in the welfare state, which was seen as a ‘system of social stratification in its own right’ (Esping-Andersen, 1990, p.23, 44; Powell and Barrientos, 2004, p.85). Later, the importance of the family as a source of welfare was properly acknowledged following critique from feminist scholars ‘that dependency on the family was as problematic as dependency on the market’ (Mathieu, 2016, p.576–577), captured in the concept of *de-familialisation*, meaning the extent to which welfare states ‘... maximise individuals’ command of economic resources independently of familial or conjugal responsibilities’¹⁷ (Esping-Andersen, 1990, p.45; 1996). Overlapping with these, the concept of the *welfare mix* was also used to differentiate between regimes on the basis of the balance of ‘the state, market and the family’ in the production of welfare across regimes (Esping-Andersen, 1990, p.26; Powell and Barrientos, 2004, p.86).

As these concepts were premised primarily on a male-breadwinner model of industrial capitalism and were intended to be applied to analysis of multiple policies, representing entire welfare states, their applicability for considering how in-work benefits relate to a wider social, political and economic context is not straightforward. Indeed, adapting and integrating these concepts is the focus of the second part of the framework. Yet, to set out the historical context of welfare regimes, and more specifically the characteristics of income maintenance policies (representing important ‘policy legacies’) that could shape variation in in-work policies, the three welfare regimes in Esping-Andersen’s (1990) and Ferrera’s

¹⁶ Ferrera’s (1996) typology of European countries, adding the Southern/ Mediterranean regime, similarly analysed the conditions for granting social security benefits and eligibility rules and considered the relationship between policy design and socio-political and economic features of these countries.

¹⁷ Responding to criticism that the original typology was gender blind Esping-Andersen’s (1999) later work also gave greater recognition to the role of families and gender inequalities in the production of welfare historically, and the role of the state in post-industrial societies in particular in reducing economic dependence on the family (Jenson, 1997).

(1996) typologies are outlined in Table 3.1, with a focus on the income maintenance policy features associated with the logics and ideals of each regime.

Table 3.1: Contextualising in-work benefit variation with ideal-type holistic frameworks

Welfare regime	Political, economic, social and cultural principles	Institutional characteristics of income maintenance	VofC
Liberal/ Anglo-Saxon	<ul style="list-style-type: none"> - Market primacy and economic competitiveness - Minimal state (stigmatising) - Self-reliance 	<ul style="list-style-type: none"> - Low – mid generosity - Strict means/needs-testing - Flat-rate benefits 	LME
Social democratic/ Scandinavian	<ul style="list-style-type: none"> - Substantial state for universal social citizenship - Activation for full employment - Individualisation for gender equality 	<ul style="list-style-type: none"> - High generosity - Individual eligibility/access 	CME/ ambiguous
Conservative/ corporatist/ Bismarckian	<ul style="list-style-type: none"> - Corporatism to maintain occupational status-based differences - Conservatism (relating to religion) regarding family, work and care 	<ul style="list-style-type: none"> - Generous earnings-related - Occupational and family-based eligibility 	
Mediterranean/ Southern Europe	<ul style="list-style-type: none"> - Family as source of welfare (subsidiarity) - Corporatism to maintain occupational-status differences - Minimal state assistance 	<ul style="list-style-type: none"> - No minimum safety net/needs-testing - Highly fragmented (occupational status) 	Mediterranean?

Notes: Summary of the features of income maintenance policies in welfare regimes and their associate variety of capitalism summarised from Esping-Andersen (1990, 1996), Ferrera (1996), and the summary of welfare regimes and their characteristics in Arts and Gellisen (2002). Varieties of Capitalism (VofC) as per Hall and Soskice (2001).

The regimes were characterised as follows. First, the Liberal (or Anglo-Saxon) regime is one of low de-commodification, namely because of the limited generosity and strict needs-based entitlements in social provisions through means-testing (Esping-Andersen, 1990, p.48). These features make social transfers stigmatising and thus social policy was seen to reinforce inequalities between those in and out of work, in line with ‘liberal work-ethic norms’ which cast state dependence as anti-social (ibid, p49). The use of social policy to facilitate the market often means conservative ideals about the role the family and notably women are

secondary. This characterises the welfare states of English-speaking countries such as the UK, the US, Ireland, Australia, New Zealand and Canada.

A second, smaller, cluster of countries comprises the Social Democratic regime (Esping-Andersen, 1990, p27), or Nordic regime (Ferrera, 1996). The cross-cutting support for social democratic parties across social groups led to high de-commodification and the promotion 'equality of the highest standards' through the welfare state. The principle of universalism in access to social rights across classes is paramount and benefits and services are designed to facilitate female employment resulting in high de-familialisation (1999, p45). This model is dependent on the tax revenues from full employment (*ibid*, p28) and therefore infuses socialism with liberalism in promoting a strong state in return for employment 'activation'. The archetypal Social Democratic countries are Sweden, Denmark and Norway. Ferrera (*ibid*) includes Finland in this regime, while Austria, Belgium and Netherlands are in Esping-Andersen's typology (1990) only.

The Conservative/Corporatist/Bismarckian regime countries includes Belgium, Netherlands, Luxembourg and Austria (Ferrera, 1996), Germany and France (both), and Italy and Finland (Esping-Andersen, 1990). Historically, these welfare states did not evolve with 'market efficiency and commodification' as core principles (Esping-Andersen, 1990, p27). The state took on the role of providing most of the protections and services of corporatism, with private insurance and fringe benefits playing a minor role. As social rights are attached to class and status, class-based social divisions are reinforced, and redistribution is limited. The power of the church in shaping this regime means that principles of traditional familyhood are evident in the exclusion or minimal coverage of non- or partially working women (Esping-Andersen, 1990, p27).

The Southern European regime includes Italy, Spain, Portugal and Greece in Ferrera's (1996) typology. These are typified by social policies that are highly fragmented, especially around work-based status, with different schemes for 'private employees, civil servants and the self-employed, often with widely differing regulations concerning contributions and benefit formulas' (Ferrera, 1996a, p.19). This is particularly pronounced in Italy and Greece where there are separate 'micro-schemes' for certain occupational groups. Fragmented schemes can be highly generous while assistance benefits are minimal to non-existent. Thus, in these contexts there is a history of 'hyper-protected beneficiaries' and large numbers of under-protected citizens (Ferrera, 1996a, p.20). As such, it creates a dualism that is more pronounced than in Conservative regimes. Moreover, 'particularistic-clientelistic' relations

are considered an ‘endemic feature of the whole range of south European policies, including income maintenance’ (Ferrera, 1996, p.25)¹⁸.

As welfare regimes and VofC are combined in comparative research (Schröder, 2013) the overlap is also set out in Table 3.1. The Social Democratic and Conservative/Corporatist welfare regimes overlap with the CMEs while LMEs correspond to the Liberal welfare regime. On the latter, Hall and Soskice (2001, p.50-51), maintain that ‘[v]irtually all liberal market economies are accompanied by ‘liberal’ welfare states, whose emphasis on means-testing and low levels of benefits reinforce the fluid labor markets that firms use to manage their relations with labor’. There is more variation in CME’s social policy regimes but pensions and high replacement rates for unemployment benefits are a common characteristic (ibid).

In the studies of in-work benefits and related measures described in the previous section, forms of in-work benefits were identified across countries representing all four of the regimes outlined above but the relevance of welfare regimes and historical institutions is not the focus of the research, with a few exceptions. For example, Vlandas’ (2015) study of in-work benefits in Bismarckian France suggested the reform in question was path-breaking because it was financed through general taxation (instead of insurance) and because it was targeted on ‘labour market outsiders’ thus violating the historical targeting of resources to protected insider occupational groups. Yet, research into how in-work benefits from or indeed align with social policy legacies across a diverse range of countries, and thus whether in-work benefit variation falls along welfare regime or VofC lines, is underexamined and the framework above provides a historical reference point.

Both frameworks, however, have been subject to much criticism, ranging from the methods used to compare and classify countries to the use of typologies for comparative research altogether¹⁹. For this study of EUMS, a limitation is that Central and Eastern European (CEE) countries are not covered by the ideal-type frameworks discussed so far and yet they make up just under a third of EUMS studied in this thesis. Whether these countries cluster

¹⁸ Ferrera (1996, p.25) suggests resources are exchanged for electoral support for policies for ‘inadequate work incomes’: ‘The weak sectors of the south European labour markets (i.e. those characterized by a structural lack of employment demand and therefore by irregular and often ‘black’ employment) have offered a favourable ground for the emergence and expansion of a ‘clientelistic market’ in which state transfers to supplement inadequate work incomes are exchanged for party support, often through the mediation of trade unions, at the individual level’. However, the exact type of provision referred to is unclear.

¹⁹ There are also many other criticisms of the welfare regime framework, including that regimes typologies are based on a narrow range of social provisions, notably income maintenance; the grouping of countries on methodological and theoretical grounds (Arts and Gelissen, 2002); the definition and measurement of social policies and outcomes that formed the basis of the typologies (Bambra, 2006).

into a welfare regime is contested (Cook, 2010; Rys, 2001). As Fenger (2007, p.13) explains with respect to all CEE countries (not just EUMS):

‘The region encompasses a wide variety of countries that range from the affluent enclave of Slovenia to the impoverished, military state of Belarus, and from the new EU member states whose developments and institutional framework have been heavily influenced by the negotiations with the European Commission....’

On the other hand, analysis shows CEE countries differ from other European welfare states with respect to social expenditure, trust and socio-economic indicators (Fenger, 2007). Cook (2010, p.18) argues CEE welfare states combine elements of egalitarian communism, conservative Bismarckian social insurance and liberal pressures from international actors. As these analyses shine very little light on the micro-institutional features of income maintenance policies as in the above accounts, the framework is left open to explore the form of in-work benefits in CEEs from which the relevance of policy legacies can be inductively derived.

Despite this specific limitation, in line with numerous comparative studies of social policy and political economy, both the welfare regimes and VofC framework are employed as a heuristic tool for contextualising differences and similarities across countries. In this vein, a common misconception of such frameworks is that they are ‘structurally deterministic’ and represent ‘frozen landscapes’(Esping-Andersen, 1990, p.24): given the diversity of countries with in-work benefits identified in some studies, and the novel features of in-work benefits, the notion that welfare states do not stray from previous policy legacies is challenged. The changes and challenges that some argue undermine the use of these frameworks are considered further in the next section. It concludes that applying these frameworks to structure comparative research into in-work benefits lends itself to identifying when and the extent to which broad differences and similarities between countries in these frameworks matter for in-work benefit variation, which can be used to make inferences about the logics, ideals and interests shaping and shaped by in-work benefit policies.

3.1.2 Contemporary comparative context: new risks, pressures and challenges

The broad frameworks above provide a means for interpreting analysis of in-work benefit policies with respect to historical institutional variation, which has implications for the social provisions available to (groups of) citizens in democratic countries and the patterns and extent of inequalities. Yet, researchers have questioned the validity of ‘static’ comparative

frameworks in what many consider to be the drastically different context of democratic capitalism of the late 20th and early 21st century. In contrast to ‘divergence’ arguments that stress ongoing differences in institutions and outcomes in capitalist democratic countries, ‘convergence’ arguments – of which there are multiple substantive versions – stress that countries are increasingly similar, attributing similarities to a range of economic, political and social factors, namely deindustrialisation, demographic changes and social changes, including women’s entry into the labour market. Financial crises are also seen to exacerbate structural pressures facing welfare states and lead to convergent policy reform.

There is, however, a more ‘open’ or nuanced, middle ground perspective, positioning historical institutions as an important factor shaping contemporary political processes while considering the role of other endogenous and exogenous factors in influencing national policy making and outcomes. This appears more fruitful for interpreting the variation in in-work benefits across capitalist democracies in recent decades. This sub-section therefore sets out the arguments concerning the substantive changes and pressures that are most relevant for making sense of in-work benefit trends and variation, followed by arguments about how these are mediated through national institutional contexts. Taken as a whole, this highlights the important aspects of contemporary ‘context’ that in-work benefits that can be operationalised in order to contextualise in-work benefit reforms.

The first set of arguments concerns transformations in the socio-economic and demographic context associated with de-industrialised societies taking place from the 1970s, as well as cyclical pressures such as financial crises, and the ‘new’ social risks these create (Bonoli, 2006). In this view, the decline of industry and the shift to service-oriented economies exacerbates income inequalities between lesser and more educated/skilled groups (Wren, 2013). The former having previously held stable, full-time and secure jobs in industry, become unemployed and/or take on low skilled, insecure and lower paid forms of work in services. The latter are able to seek out opportunities in internationalised and service oriented labour markets. The limited productivity returns and the high global competition in the low-skilled service labour markets is associated with higher risks of unemployment, underemployment and in-work poverty for these groups. And although socially progressive, the shift away from the male breadwinner model associated with industrial capitalism to the ‘adult-worker’ model whereby women are ‘no longer excused from employment for the purposes of caregiving’ (Kowalewska, 2017, p.3), and changing family structures, including more lone parent households, also create additional risks of poverty (Bonoli, 2007).

Relatedly, transformations in society and the economy are seen to create a context of “permanent austerity” (Pierson, 2001) as countries follow a similar trajectory of retrenchment, especially for ‘passive’ welfare benefits (e.g. unemployment benefits). And, since the 1990s, in this context, certain forms of expenditure are seen as more legitimate, characterised as the turn towards ‘active’ social policy, which foregrounds the goal of higher employment rates, especially for previously ‘inactive’ groups, such as lone mothers, and is associated with certain policy instruments and measures (Bonoli, 2010; Hemerijck, 2013; Marchal and Mechelen, n.d.). In a similar vein, recently scholars have argued there may be ‘convergent’ trends in the increased use of tax policies (fiscal welfare) as it can be hidden or masked in public expenditures, and because it ties the provision of welfare more closely to paid employment in line with the ‘activation’ logic to use taxation to increase financial incentives to undertake paid work (Morel et al., 2018; Marchal and Marx, 2018). Similar arguments are made with respect to social investment and the Third Way ideology, whereby researchers either identify or propose a shift in the welfare state from de-commodification to one that balances the needs of globalised economies and social goals²⁰ (Hemerijck, 2015; Garritzmman and Häusermann, 2016).

Another set of arguments emphasises the political-economic shifts including globalisation and the shift of power away from national governments, which become less able to regulate markets and turn to retrenching social protections in order to compete economically. In contrast to the VofC or regime framework above, the liberalisation thesis posits that political economies are all converging on a [liberal] single model of capitalism’, involving the deliberate erosion of social rights, de-regulation and the marketisation and privatisation of previously public spheres, in order to compete in competitive global markets, leading to more pronounced inequalities (Streeck and Thelen, 2005, p1-2). As part of this, researchers point to the state’s role in recommodification, across social policy and labour market institutions (Greer, 2016). As defined by Greer (2016, p.165), re-commodification constitutes any ‘institutional change that reinstates the discipline of labour market competition on workers, whether in or out of work and whether through reforms to welfare states, industrial relations, or labour markets’. The social policy reforms associated with this process include a reorientation of social policy to facilitate less regulated and protected employment (Baccaro and Howell, 2011; Jessop and Peck, 2003). Moreover, critical

²⁰ The convergence of ideas and ideologies are associated with processes such as ‘policy learning’, ‘policy transfer’ and ‘agendas setting’ (Palier, 2013; Clegg, 2014; Hemerijck, 2015; Peck and Theodore, 2001).

perspectives the use of punitive mechanisms, including increasing conditionality, or ‘workfare’ (Wiggan, 2015; Daigneault, 2014b).

Again, overlapping with previous points, new international governance structures and strengthening political-economic ties between countries are exogenous factors that some see as driving social policies and other institutions down similar pathways. Notably, given the emphasis on EUMS, the European Union and its economic and social agenda, with the European Monetary Union, and debt crisis, is seen to limit nation states’ ability to determine their policy pathways (Theodoropoulou, 2018; Marchal and Marx, 2018; Papadopoulos and Roumpakis, 2013). The EU has also promoted activation and social investment policies in, for example, the Lisbon Strategy and Europe 2020 (De la Porte, 2017). De la Porte (2017, p142-45) argues that while EU governance does not apply to ‘national social security, the principles of distribution, the access to social rights or the levels or generosity of various benefits’ it exhibits soft and hard power over EUMS states, including on the levels of expenditures and the forms of social and labour market policies adopted. It also has developed legislation for freedom of movement (ibid).

There are thus various ways these arguments could help interpret trends and variation in in-work benefits. First, in-work benefits are almost always framed as being oriented towards new social risks including unemployment and under-employment and in-work poverty, especially for those on the ‘margins’ of the labour market (Vlandas, 2013; OECD, 2003). They are also seen as tied to the activation turn because of the timings of the increased use of in-work benefits from the 1990s onwards and because the tying of benefit eligibility to labour market status and the emphasis on individual financial incentives to tackle the problems of unemployment aligns with the activation logic (Bonoli, 2010). Similarly, in-work benefits have also been attributed to a compromise between ‘left’ and ‘right’ goals in their redistributive and employment-focused aims (Clasen, 2019). As outlined in the previous chapter, convergence arguments are applied speculatively to in-work benefits as an indicator that countries are moving down an “Anglo path” or liberal form of capitalism by offsetting low wages through the tax and transfer system, while weakening social democratic and/or corporatist institutions and social provisions²¹ (Kenworthy, 2015, p.24; Vlandas, 2013; McKnight et al., 2016). Rubery et al. (2018) also consider in-work benefits a re-

²¹ Much is contested about what (neo)liberalisation is but key processes traced to the 1970s and 1980s across many accounts include the deregulation of markets, a commitment to global markets, fiscal constraint (‘balanced budgets’) and welfare state retrenchment, the weakening of social democratic or corporatist arrangements outlined above, and the embedding of market ideals and practices into more of public and private life (Hemerijck, 2018; Baccaro and Howell, 2011). The 2007-2008 global economic crisis and the political, economic and social ‘turmoil’ that ensued is associated with accelerated austerity and further liberalisation of political economies as a response to economic downturn (Farnsworth, 2015).

commodifying policy further normalising non-standard precarious employment as a route out of unemployment. Finally, scholars also link in-work benefits and EU reform agendas but they do not research this link explicitly (Marchal and Marx, 2018).

While the link between these changes and pressures and the increased use of in-work benefits is plausible, research examining convergence in other areas of policy evidence considerable variation between countries in the types and extent of activation and austerity measures pursued and in the forms of liberalisation. For example, Bonoli's (2010) comparison of active labour market policies (ALMP) finds that the idea of ALMP spread across Western European countries but found considerable variation in actual policy instruments and objectives and how they interact with the institutional context in which they are used. This is attributed to institutional and ideational differences across countries which interacted with a changing economic context. Thus, the interplay between institutions and the contemporary pressures outlined above also plays out in the policies introduced, even if linked by an overarching logic. Similarly, assessing the extent of policy convergence in social assistance in European countries, Clegg (2014, p.148) finds:

‘Distinctive policy legacies are embedded in the micro-institutional structures of contemporary minimum income protection systems, such as the different approaches to categorical differentiation within means-tested benefits ...’

Thus, even where there are broader shifts in logics and context, the design features of policies retain some elements of previous logics, signalling a form of incremental change rather than an outright transformation. Situating in-work benefits with respect to historical and contemporary factors is therefore important for understanding the interests and logics on which they are based.

Considering the influence of the EU and economic crises, Theodoropoulou et al. (2018, p.358) find that amid a context of reinforced fiscal pressures on EUMS, labour market policy reforms before the recent crisis and after 2010, continue to be underpinned by common principles (e.g. activation, welfare adjustment and flexicurity) and an overall more austere approach to social policy, but that there are significant differences in the strategies and outcomes across contexts with ‘diversity across and within labour market regimes’ more prominent than convergence. However, they also find austerity is most prominent in countries reliant on international financial support following the debt crisis and those more ideologically oriented towards austerity – namely the UK (ibid). Although examining the direct influence of the EU on in-work benefit policies is beyond the scope of this thesis,

examining trends and variation in in-work benefits among EUMS provides more substantive evidence of policies in this context in order to assess claims about diversity in the instruments used, which can feed into theory development about how, when and why convergent pressures at the EU level influence national policy trajectories.

At a broader political-economy level, Thelen's (2014) varieties of liberalisation combines the liberalisation thesis with VofC and contends that liberalisation pressures interact with historical institutions and contemporary political dynamics to create three institutionally distinctive patterns of liberalisation, leading to different levels and forms of inequality, across countries. The form of liberalisation characterised as 'deregulation' comprises 'the active (political) dismantling of coordinating capacities', which is most likely in LMEs, such as the UK, as employers and unions are weak, leading to higher inequality (Thelen, 2014, p.147) (Hall and Soskice, 2001).

The second, 'dualization' occurs in CMEs with stronger co-ordination between employers and labour, with (tripartite) or without the state (Thelen, 2014, p.147). In continental European countries, high co-ordination has centred on the protection of certain sectors or occupations and institutions have not adapted to changing labour markets, especially increases in non-standard employment. As such 'traditional arrangements for insiders have remained, a periphery of labour market outsiders has grown that is not organised (represented) and unregulated'.

Finally, the third pattern of liberalisation, 'embedded flexibilisation' (Thelen, 2014, p.147-148), is epitomised by 'flexicurity' as institutions are 'reoriented' based on a new logic in light of market pressures. It is more likely to occur in tripartite CMEs where the state is involved in coordination, such as Denmark. Economic and social goals are pursued by reorienting social protection and labour market policies towards a flexible labour force through high investment in skills and education of the unemployed. Thelen's (2014) analysis chimes with the literature on dualization of labour markets which emphasizes 'varieties of dualization' referring to different patterns of inequalities relating to employment status between workers. Considering how in-work benefits relate to the structure of post-industrial labour markets therefore becomes an important question for comparative research. Moreover, the perspective highlights the need to consider institutional reforms as part of a wider package in order to understand in-work benefits with respect to 'liberalisation' instead of assuming homogeneity across countries.

3.1.3 Summary and implications for research

The broad framework for contextualising in-work benefit variation in the empirical analysis is summarised in Figure 3.1. Analytically, the role of historical and contemporary context can be considered with respect to in-work benefit reforms across two levels: the regime or model of capitalism and the micro-institutional level. Moreover, three broad concepts are also useful for contextualising in-work benefits with respect to institutions in terms of understanding policies as a form of change or continuity in capitalist democratic countries: (1) path-dependency whereby the status quo in terms of both logics and actual instruments is maintained; (2) reconfiguration or incremental reforms, whereby logics and/or instruments may be shifted, but not to the extent where there is a complete break with the past; and (3) path-breaking reform implies a stark shift of logics and/or instruments.

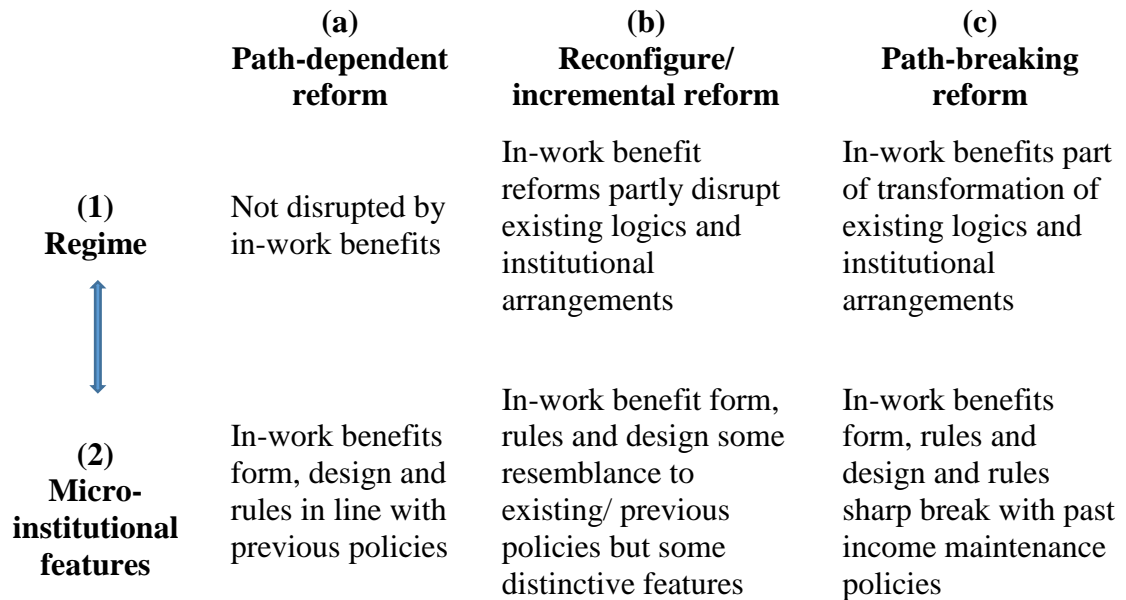


Figure 3.1: Overview of broad framework for contextualising in-work benefits historically

In order to contextualise in-work benefits historically with respect to wider models of capitalism or welfare regimes we can make use the ideal-type models set out above as heuristic devices. Contemporary context, notably indicators of liberalisation – labour market and social policy institutions and socio-economic factors – are also worth examining, on the

basis that these factors are likely to be mediated by national institutions in shaping the extent and form of countries' in-work benefits.

3.2 Zooming in: Analysing variation in actual in-work benefit policies

This section sets out the second part of the framework developed specifically for this thesis to analyse the (varied) role of in-work benefits across democratic capitalist countries and over time, building on the roots outlined in the previous sections of this chapter. The broad premise of this framework is that variation in-work benefits can be understood in a comparative perspective by considering how policies shape the extent to which citizens depend on the market, the state and the family as sources of welfare.

The concept of 'dependency' or 'dependence' is not employed according to political discourse about 'welfare dependence' (Daigneault, 2014b, p.4). Rather it is utilised as a catch all term for interdependence of citizens on one another, and in capitalist democracies the varied ways this interdependence is marketized and socialised through the state and the family, which, as we saw above, has played out differently across democratic countries over time. The framework draws extensively on comparative political economy, including the concepts of the welfare mix, re-commodification, stratification and de-familialisation discussed above, and other perspectives explicitly or implicitly analysing policy with respect to dependency. Yet, given the contexts of deindustrialised welfare states, it argues that previous notions of dependence associated with variation in income maintenance policies cannot be straightforwardly applied to in-work benefits for three reasons: the significant difference between in-work benefits and out-of-work benefits, the shifting context in which they are used, and the fact that this thesis focuses primarily on in-work policies in isolation. The concepts associated with different forms of dependence are thus adapted in this section. Other literature is brought in to further interpret the socio-political dimensions of in-work benefits variation with respect to the state, labour market and family.

To reiterate this important point, the framework is intended to help to interpret the *orientation* of policies and not policy outcomes (e.g. de- or re-commodification). This reflects that the analytical focus of this thesis is predominantly on one area of policy, with some partial analysis of context, and not the interaction of in-work benefits with other social policy and labour market institutions. That being said, contextualising analysis of in-work benefits is likely to shine light on the wider 'implications' of in-work benefit variation within a 'regime' or country context, even if it cannot provide concrete answers about the effects of policies and how they interact with the wider setting to determine the extent and ways in

which citizens within and across countries are reliant on the state, market and family as sources of welfare.

In this vein, dependency is conceptualised both qualitatively and quantitatively. For example, there is a historic literature distinguishing between ‘fiscal’ (tax) and social welfare (Titmuss, 1958; Orton and Davies, 2009; Morel et al., 2018). The state can distribute resources to citizens through the tax and the benefit system or, put differently, both forms of welfare constitute a form of state ‘dependence’ for citizens. However, fiscal and social welfare are associated with different *experiences* for recipients, which shape social relations: fiscal welfare is in broad terms understood to be less stigmatising and less invasive than forms of social welfare, fostering a division between those who rely more or less on each form. Social and fiscal welfare can also have distinctive politics, as the latter has often been less visible in public debate over resources, and thus better protected from debates about fiscal constraints leading it to be termed a privileged form of welfare, as it may be protected from retrenchment. And, linked to the first point, those that receive fiscal welfare are therefore less likely to see themselves as recipients of welfare and therefore may be less likely to support other forms of welfare state expenditure and indeed support retrenchment and tax cuts.

The first sub-section in this part of the framework sets out how the umbrella concept of ‘dependence’ is used for *defining* in-work benefits relative to other policies and institutions that they are sometimes conflated with. The second section sets out how this concept is further specified to identify the *salient features* of in-work policies for comparing their orientation towards different forms and degrees of dependence across countries and over time. Analysis of these features is expected to illuminate differences and similarities in the objectives and logics underpinning in-work benefits across countries as three key sticking points where conflict and inequalities play out. But it also provides a way of looking backwards within countries, to understand if there is a continuation of the logics and interests underpinning in-work benefits relating to forms of dependence in the development of welfare states as set out above.

3.2.1 Depending on the state to make work pay? The distinctiveness of in-work benefits

As we saw in the previous chapter, there is not a consensus on how to define in-work benefits, posing problems for comparing across countries and time. Employing the dependency relationships framework, this section proposes a conceptualisation of in-work benefits that is used to identify relevant policy instruments for cross-national variation.

Following a discussion of in-work benefits and overlapping policy areas through the lens of the dependency relationships framework, it argues that in-work benefit policies can be considered distinctive to other social policies because they combine dependence on paid work (the labour market) with dependence on the state for direct income maintenance for the households that receive them. This at least partially disrupts ideals and institutional arrangements concerning the (in)dependence from the state that paid work is supposed to bring for workers, notably in the domain of income maintenance. And, on the flipside, the ideals and arrangements placing the onus on employers to pay sufficient wages.

Both of these arguments are broad and require caveating when we consider the institutional reality of the different ways working (and non-working) households depend on the state and the labour market for their livelihoods. Yet, in broad terms, these considerations provide a means for identifying relevant provisions and broadly theorising about the social, economic, cultural and political significance of policies, to then be considered with respect to national contextual idiosyncrasies in actual policies and the wider context in which they are used. Defining in-work benefits with respect to family dependency is less clear cut, because of historical variation in institutions and ideals concerning the family as discussed in the previous section.

Applying this lens to policies commonly included in studies of in-work benefits and related measures comprises a means for categorising policies as in-work benefits or not. For example, policies like the UK's Working Tax Credits, explicitly for working households with earnings, result in the combination of wages (market dependence) and cash transfers (state dependence). This implies a 'break' from the historical onus on employers to provide earnings at a level that is sufficient to meet living standards (Farnsworth, 2015; Sloman, 2018). Broadly, this is based on a certain logic and balance of interests and is reflected in explicit policy goals that trumpet participation in paid work as a way to reduce dependence on the state and a way of achieving financial independence, either from the state and/or from other members of the family (Walker and Wiseman, 2003; Vosko, 2010).

In an immediate sense, in-work benefits partly disrupt the institutional arrangements supporting this ideal, such as collective bargaining, employment legislation and statutory minimum wages, that regulate the levels of earnings received by workers and the hours and regularity of their work. In this vein, Picot (2019, p.3) conceptualises these institutions as ways in which states regulate wages and categorises them as direct and indirect forms of wage regulation. The former is defined as public rules that 'directly and explicitly' concern

wages, the prime example being statutory minimum wages. Indirect regulation is defined as ‘the public rules that affect wage setting in the market or collective bargaining’ (ibid, p.4). This occurs in the market sphere (e.g. through employment contracts) and through the legal frameworks influencing collective bargaining. The extent and ways in which in-work benefits are an institutional shift can thus be considered using the typologies of political economy outlined above.

Picot (2019, p.4) also conceptualises in-work benefits through this lens as a form of indirect wage regulation, as employers take the level of benefits into account when deciding wages. This relates to the important point that there are other institutions and factors affecting the sufficiency of wages and there are many indirect ways citizens depend on the state to ensure wages are sufficient, including the levels of taxation and social security contributions and the costs and availability of other services used by working households – and indeed what level of earnings is deemed sufficient is also socially and politically defined. In this vein, economists refer to out-of-work income maintenance as a ‘reservation wage’, highlighting the overlap between the institutions affecting wage levels and other forms of income maintenance (Atkinson, 1987). Changes or dysfunctions in these other policy areas or in the wider context can also affect the sufficiency of earnings, e.g. inflation.

But even still, a novel feature of in-work benefits through the dependency relationships lens, is that they tie together workers’ dependence on employers/ the labour market for wages and on direct dependence on the state for income maintenance while in paid work. Broadly speaking, direct income maintenance has been primarily for individuals during periods when they are not working or cannot work, such as old age, unemployment and sickness (Millar, 2009; Sloman, 2018; Bennett and Millar, 2005).

Relating to many of these points, Hacker’s (2011) distinction between pre- and re-distributive strategies can be applied to in-work benefits to understand their significance. In this distinction, tax and benefit policies constitute redistributive strategies and pre-distributive policies are those influencing the initial ‘distribution of economic power and rewards’ through ‘the structure of labour and product markets’ (Hacker, 2011, p.35 in Sloman, 2018, p.2). Pre-distributive strategies intervene in the labour market to reduce market inequalities before they occur, and redistributive strategies are those that correct inequalities after they have occurred. Thus, redistributive strategies are filtered through the state and imply a reduction in economic power and reward for workers. Moreover, redistributive strategies can undermine future policy efforts to reduce inequalities, as

excessive reliance on redistribution fosters backlash, making taxes more salient and feeding into the conservative critique that government simply meddles with “natural” market rewards (Hacker, 2011, p. 36).

This corrosive element of re-distributive policies is echoed in the liberalisation arguments outlined above. Similarly, Farnsworth (2015, p.25) suggests in-work benefits could be considered a form of corporate welfare, as they benefit employers who are able to pay lower wages, and Picot (2018, p.5) argues they make it possible for employers to pay low wages and hypothesises that they are more likely to occur in political economies where employers have political influence. As with the discussion above, these arguments may help us to contextualise variation in the extent to which in-work benefits are employed across countries, namely in terms of interpreting possible interests associated with shifting dependency for working households. Yet, the pre- and re-distributive distinctions does not go far enough in helping us understand why in-work benefits differ to other policies that constitute a form of dependence on the state, e.g. housing benefits.

The dependency relationships framework requires us to go beyond functional equivalents and consider the socio-political features of in-work policies. Unlike, for example, housing benefits or childcare provisions, in-work benefits are not earmarked for spending by recipients for specific purposes or needs. In-work benefits are therefore closer to ‘wages’ that can be spent ‘freely’.

While this eliminates a number of policies, other kinds of cash benefits received by working households could be spent ‘like wages’, such as social assistance benefits with earnings disregards, unemployment benefits compatible with earnings, and merged in- and out-of-work benefits, all of which were introduced in the previous chapter. Moreover, another forms of income maintenance for working households not included in the literature on in-work benefits are short-time working schemes. All of these provisions are not so easily distinguishable from in-work benefits and may within certain contexts be considered akin to in-work benefits, beyond the functional equivalence argument, in terms of shifting dependency relationships and combining earnings and income maintenance.

Using the dependency relationships framework and existing evidence on in-work benefits, it is possible to differentiate between instruments concerning the incomes of working households in order to classify provisions as in-work benefits or not. At the same time, the definition proposed in this section is intended to be further probed through empirical investigation and it is open to the tensions concerning other income maintenance policies,

especially provisions included in other studies of in-work benefits and the recent development of relevant policies that are ill-understood in a comparative perspective, such as the United Kingdom's Universal Credit and Germany's UBII, which confuse what was previously assumed to be the defining features of 'in-work benefits': that they explicitly target households or individuals undertaking paid work.

To this end, a typology is developed which is used to classify relevant policies into three categories: (1) archetypal in-work benefits, (2) possible in-work benefits, and (3) not in-work benefits (Figure 3.2). It is applied to policies that have been discussed in the context of in-work benefits and 'make work pay' policies (Immervoll and Pearson, 2009; Kenworthy, 2015; Marchal and Marx, 2018). The green section includes the archetypal in-work benefit policies based on the US and the UK: earned income tax credits and in-work cash transfers. The defining features of these policies that relate to the shifts in dependency as described in this section are numbered 1 and 2. The features numbered 3 and 4 are not 'essential' but they characterise these archetypal policies.

The orange section includes income maintenance policies that do not explicitly or solely target working households but have been 'adjusted' so that they effectively fulfil the same function. For example, unemployment benefit policies that can be combined with earnings through work, referred to here as 'adjusted unemployment benefits'²².

The prime example of this is Germany's 'Unemployment Benefit II', a merged social assistance and out-of-work benefit, which provides a subsidy to low-income, part-time workers (Clasen, 2019). The categorisation of social assistance benefits that can be combined with earnings as de facto in-work benefits is less clear-cut as social assistance benefits in a number of countries are effectively earmarked benefits, made up of different elements for different needs, such as housing. Other tax policies and social security contribution reductions or exemptions also represent a grey area and they imply a less direct form of dependence on the state for working households.²³

²² The label 'adjusted unemployment benefits' is influenced by Finland's unemployment benefits with a similar name that were identified in the research presented in this thesis. Although based on the empirical component of the thesis, it was worked into the theoretical framework after the investigation for consistency. Elsewhere adjusted unemployment benefits are referred to as part-time unemployment benefits.

²³ By this logic, we would exclude non-refundable tax credits as they do not lead to a transfer to working households. However, even refundable tax credits will be non-refundable for some eligible households – i.e. not resulting in a transfer. Moreover, whether or not tax credits are refundable could depend on the structure of income taxation and the size of the tax-free allowance. As such, a distinction was not made between refundable and non-refundable tax credits prior to empirical investigation.

CATEGORY	POLICIES (ADMINISTRATIVE LABELS)	FEATURES
Archetypal in-work benefits	Earned income tax credits (refundable)	1. State provides direct income maintenance for working households
	In-work cash transfers	2. Explicitly targets in-work households
Could be in-work benefits	Earned income tax credits (non-refundable)	2, possibly 1
	Merged in and out of work benefits	1
	Adjusted unemployment benefits	1
	Adjusted social assistance benefits	1
	Reductions/ exemptions employee social security contributions	2, possibly 1
	Tax allowances	1, possibly 2.
Not in-work benefits	Earmarked benefits and services, e.g. housing benefit, childcare subsidy, travel subsidy	Possibly 2,
	Minimum wages	-
	Wage bargaining	-
	Employment regulations	-
	Short time working schemes	1 and 2

Fig 3.2 Identifying relevant policies for a comparison of in-work benefits using the dependency relationships framework

Finally, the red section includes policies that are not considered in-work benefits. It includes policies that put the onus on employers to ensure earnings are adequate, such as minimum wages, policies facilitating or containing collective bargaining and employment regulations that permit or restrict insecure/part-time work, for example (Picot, 2018). It also includes services and other benefits that cannot be conceived of as wage replacements subsidies because they are earmarked for specific purposes and/or needs not specifically relating to the labour market. In addition, short-time working schemes are somewhat closer to in-work benefits in providing income maintenance for working households while they are partially

or temporarily laid off, but they are related to cyclical pressures in advanced economies and therefore do not constitute a fundamental shift in the dependency relationships of working households (Arranz et al., 2018).

A key question that is likely to be context dependent is whether an explicit in-work eligibility for in-work benefits sets these provisions apart from other forms of income maintenance that are akin to wages without an explicit targeting of in-work households (in the orange section). In broad terms, in-work benefits have been conceptualised as distinctive because they are at odds with the ideal of dignity associated with being ‘financially independent’ from the state through work (Dwyer and Wright, 2014). The explicit targeting of in-work benefits on those in work potentially constitutes an admission on the part of the state to make up for the inadequacies of policies to ensure wages are sufficient, either from the side of employers or other policies affecting the net incomes of working households, such as taxation and contributions, and those affecting costs and availability of services.

At the same time, it could stand as a recognition of the deservingness of working households in tax-benefit systems (van Oorschot, 2000b; Oorschot and Roosma, 2015; Howard, 1991), including of the need to provide extra supports for households experiencing labour market risks. Moreover, in a context where employment statuses are more fluid, other income maintenance policies that are tied to labour market risks, such as part-time or ‘adjusted’ unemployment benefits, and are effectively permanent may indicate a new form of in-work benefit that is responsive to new forms of work (Clasen, 2019). Thus, a key question for comparative research concerns the targeting of provisions, explicitly or implicitly, on working households and the definition of work in these policies.

The extent to which these provisions are considered to disrupt or break from the previous institutional arrangements and ideals depends on the starting point or the base line, as well as the extent to which such strategies are adopted and the nature of accompanying reforms (e.g. the wider policy package).

Overall, this typology and conceptualisation of in-work benefits comprises a starting point for understanding the historical, social and political salience of variation in in-work benefits across countries and over time. It helps to examine how these policies imply a break from the logics and arrangements of capitalist democracies concerning adequate wages and the role of the state in income maintenance. The institutional arrangements concerning employers and the role of the state in the regulation of wages has, as in the frameworks set out in the first half of the chapter, historically varied across capitalist countries anyway.

Thus, the extent to which in-work benefits disrupt or reinforce these logics depends on the baseline for comparison. Moreover, what this part of the framework has flagged is that even when narrowing down policy instruments, there is likely to be variation the orientation of in-work benefit policies towards different forms and degrees of dependence on the state and the labour market and the family, which was overlooked in this section. The next sub-section thus develops the framework for comparing actual in-work benefit policies across countries.

3.2.2 The varied orientation of in-work benefits towards dependence on the labour market, state and the family

Having established the distinctive features of in-work benefits in order to identify the relevant instruments that could be examined through empirical investigation, this section sets out the precise conceptualisation of dependency with respect to variation in in-work policies. This part of the conceptual framework is premised on the notion that dependency has both quantitative and qualitative dimensions, in that policies might be oriented towards varied forms and degrees of dependence on the labour market, state and family. It proposes a framework for making inferences about policy orientation towards different forms and degrees of state, market and family dependence, through comparative analysis of policies.

To reiterate an important point, the emphasis is on *policy orientation* not outcomes, as policies are the focus of the thesis: there is not the scope to consider how they interact with a wider context in addition to paying close attention to their design and form. Dependency on different sources is also inexorably linked and separating them out for analysis involves necessitates a simplification of the inter-connectedness of forms of dependence. Yet, separating out forms of dependence and analysing policies in this respect involves a more varied approach for making inferences about the logics and objectives of policies. The framework is thus intended to serve as a means for situating in-work benefits with respect to historical and contemporary political, social, economic and cultural objectives and outcomes, as it fuses historical accounts of variation in income maintenance policies across welfare regimes with considerations about the objectives and pressures that might be influencing policies in contemporary welfare states.

Starting with the quantitative dimensions of dependence, as with the concept of de-commodification in Esping-Andersen's (1990) analysis, dependence is not binary and can be considered as a continuum. The *level* of in-work benefits serves as an indicator of the orientation of policies towards the degree of state dependency for the households that receive them. However, the generosity of in-work benefits is not necessarily an indicator of de-

commodification (less dependence on the market) as it was for income maintenance policies in Esping-Andersen's (1990) analysis. As outlined above, the commodifying properties of in-work benefits depend on other changes in social policies (Rubery et al., 2018).

At the same time, we can start to understand the interaction between state and market by also comparing the quantitative dimensions of the orientation of policies towards the degree of dependence on the labour market. For example, in-work benefits, like the UK's Working Tax Credits, may contain a lower limit on the hours of work needed to be eligible for the benefit. Such policies therefore enforce a minimum degree of labour market dependence to be eligible for the benefit. In terms of the family, in very crude terms, we might consider policies that are individualised to be oriented towards less familial dependence than household/ family in-work benefits (Daly, 2011). That is, if in-work benefits contain no rules or requirements concerning other members of a family unit or a household, the allocation of resources is not contingent on the behaviour, attitudes or resources of other family members, nor is there an expectation or requirement within in-work provisions that family members share resources between them.

At the same time, in-work benefits also likely vary in their orientation towards qualitatively different forms of dependence on the state, labour market and family. For example, in-work benefits with behavioural requirements for which there are penalties for non-compliance engage recipients in a punitive dependency relationship with the state compared to in-work benefits that provide the same level of resources without behavioural requirements and penalties (Grover and Stewart, 1999; Fletcher and Wright, 2018). Means-tested cash benefits are also associated with stigma, invasion and costs to recipients in terms of the time taken to claim and prove eligibility, thus affecting the experiential aspect of state dependence (Bennett et al., 2009).

Qualitative differences in terms of the nature of state dependence fostered through in-work benefits also speak to theories of 'the social division of welfare', notably the distinction between fiscal and social welfare (Titmuss, 1958; Orton and Davies, 2009). Theoretically, tax policies and in-work benefits delivered through the social security system are proxies of varied ideals and interests concerning the role of the state in the domain of income maintenance for the groups in receipt of policies (Morel et al., 2016). Fiscal policies are likely to constitute a more privileged form of state intervention for both 'symbolic' and 'material' reasons (Morel et al., 2018, p.551). For example, historically, tax systems have provided advantages for households with higher earnings, whereas means-tested social

security, in particular, is associated with out-of-work groups and those in the greatest need. This is especially the case in Liberal contexts where social security is highly targeted at the poorest and is highly conditional, and where recipients have been construed as lazy, undeserving and/or as people that are cheating the system (Holden, 2003; Lodemel and Trickey, 2001). Research on the UK and the US discussed in the previous chapter stressed the political and sociological importance of the distinction between tax credits and social security in the US (Clegg, 2015; Howard, 1997). The orientation of in-work benefits towards different forms of state dependence could feed into or offset existing inequalities in access to resources provided by the state.

Relatedly, in-work benefits may also be oriented towards qualitatively different forms of labour market participation. For example, in-work benefits could be oriented towards precarious employment simply by restricting access on the basis of employment status, earnings and contract type (e.g. part-time) (Rubery et al., 2018). Precarious' workers insecurity could be exacerbated depending on the other forms of dependency in-work benefits are oriented towards, e.g. a conditional form of state dependence (ibid). The labour market orientation relates also to the concept of stratification in that the targeting of in-work support on the margins of the labour market could reinforce or exacerbate inequalities between 'outsiders and 'insiders', e.g. through broader targeting of provisions or by meeting the needs of those subject to greater labour market risks (Vlandas, 2013). Other forms of labour market segmentation and inequalities have been identified in post-industrial welfare states (Schwander and Häusermann, 2013), and in-work benefits may reinforce or offset these divides, e.g. by targeting on the basis of employment and other characteristics, such as gender, that feed into labour market segmentation in some contexts.

Finally, in-work benefits could also vary in their orientation towards qualitatively different forms of familial dependence. For example, rules concerning spouses and children are likely to reflect differences in the orientation of policies and potentially reflect institutional norms and gendered ideals about whether and to what extent women (especially women with children) should participate in the labour market (Cain, 2016; Vosko, 2010). Gendered forms of dependence have been apparent in different countries and time periods. For example, Lewis (2001, p.153) commenting on the decline of the male breadwinner, argues 'female dependence [on men] was inscribed in the model, whereas the "adult worker model" ideal is based on reducing this form of dependence. Others point to the prominence of the 1.5 earner model. There has also been an emphasis on lone mothers in social security benefits has

reflected a political shift in towards reducing their ‘dependence on state benefits’, which was framed as being about increasing ‘independence’ from the state through work, without recognition that this work was predominantly minimal in terms of hours (ibid, p157). Again, the emphasis is on orientation, as the effects of these policies on the extent to which recipients are reliant on other members of a household or the employer will depend upon the wider system in which they are used, thus making it hard to evaluate the effects (de-familialisation) of in-work benefits.

Figure 3.3 depicts this conceptual framework and its operationalisation with respect to specific policy features. Similar to Esping-Andersen’s approach (1990), the rules that govern access to benefits in the form of eligibility rules and restrictions on entitlements and the levels of benefits are important across all three domains. As such, the framework facilitates analysis of the role of policy legacies in shaping countries’ strategies and these are briefly discussed below. However, these have been adapted and other policy features added given the emphasis is not just on de-commodification but also on the ways in-work benefits are oriented towards different forms and degrees of dependence on the state, family and the labour market.

First, the orientation of countries’ in-work benefits towards particular kinds and degrees of labour market dependence are captured in rules concerning employment status and earnings. Access to in-work benefits may be restricted to and, therefore, orient recipients towards a particular form and degree of work through rules and design features restricting or facilitating hours of work, employment types and earnings.

If in-work benefits are shaped by policy legacies, restrictions based on contract type and occupation are more likely in Bismarckian or Southern regimes given the historical tradition of status-based entitlement to social security. However, given the changes in labour markets outlined above, a key question is whether in-work benefits are targeted at standard employment relationships that have traditionally been favoured by such arrangements – or those on the margins of the labour market and, therefore, the social security system, e.g. ‘labour market outsiders’ – divisions which have become salient in post-industrial welfare politics.

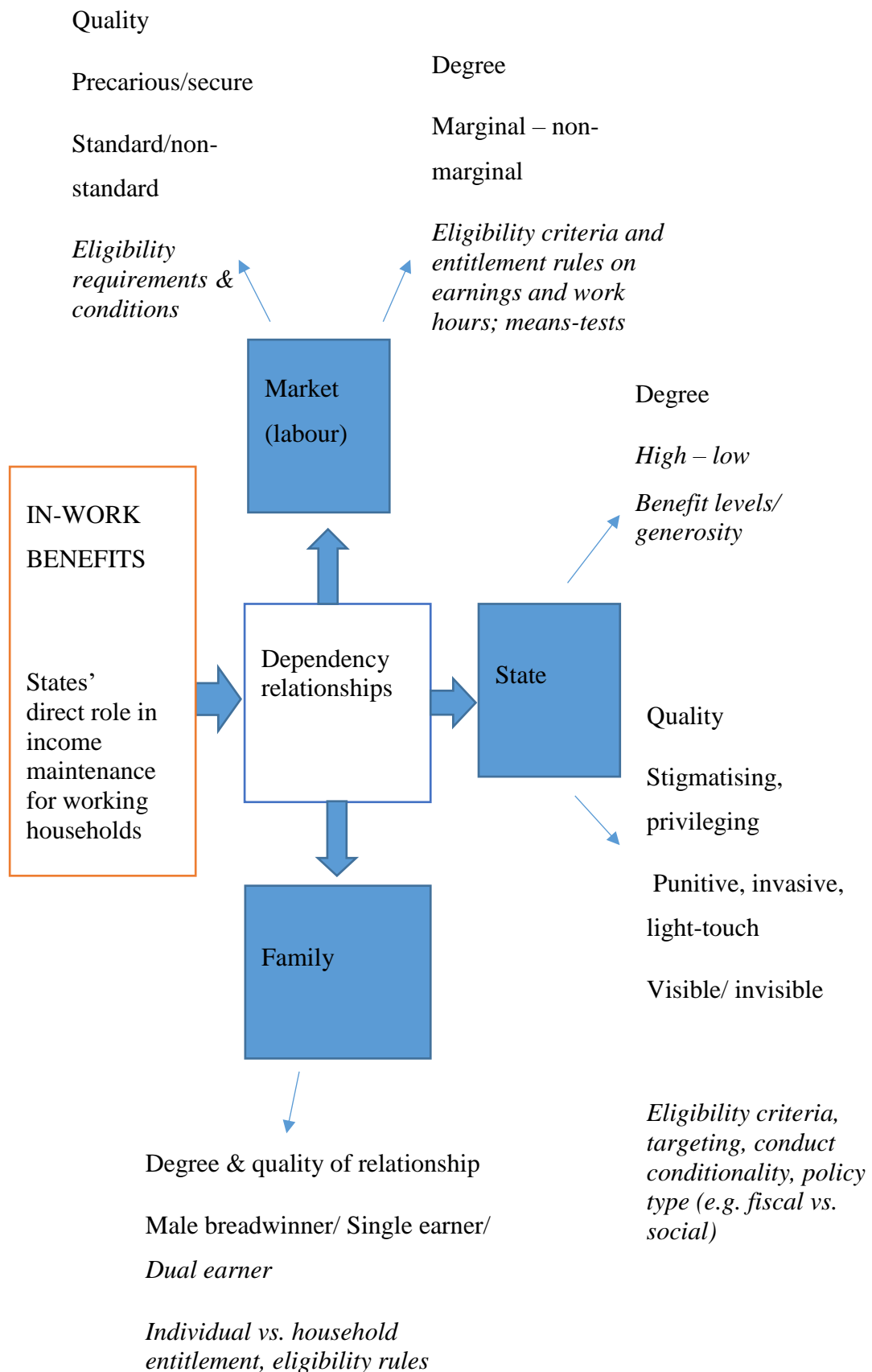


Figure 3.3: Comparing the orientation of in-work benefits towards different forms and degrees of state, market and familial dependence

In Nordic regimes, schemes are less likely to restrict access on the basis of employment status and will be more encompassing with respect to earnings. Regarding Liberal regimes, employment status would be far less important than the needs or means of workers and provisions are expected to be narrowly targeted on lower income households. As in the UK or Germany, some in-work benefits may facilitate or encourage more fluidity in people's relationships with the labour market. Whether the status of being in work is explicit and distinctive is also salient for our understanding of how in-work benefits facilitate relationships between citizens and the labour market.

The level (aka 'generosity') of in-work benefits is a key indicator of the orientation of provisions towards different degrees of state dependence. The targeting of benefits, the 'conditions of conduct' and the fiscal or social form of in-work policies are key indicators of the *nature* of this dependency relationship (Clasen and Clegg, 2007, p.167). Where in-work benefits are conditional on behavioural requirements, that are propped up by sanctions, they imply a more punitive form of dependency relationship.

Whether in-work benefits are fiscal or social are also broad proxies for whether the relationship with the state is privileged or not. Means-tested and stigmatised social welfare is more likely in Liberal regimes, whereas universal fiscal provisions with less stringent or no means- or needs-tests would be characteristic of the Nordic regimes.

Finally, the role of in-work benefits in structuring dependence on the family is likely to be reflected in eligibility requirements concerning household composition and the characteristics of a means test. For example, in-work benefits means-tested at the household level bring the state into the domain of income maintenance for recipient households, but they are also oriented towards interdependence among family members by assuming and enforcing the sharing of resources among members of the same household. If policy legacies play out in in-work benefit reforms, we would expect policies to foster or encourage inter-family dependence and possibly single earner models in Bismarckian and Southern regime countries, whereas Liberal countries would also encourage familialism in terms of the sharing of resources for low-income households through means tests. The in-work policies of Nordic states are more likely to be individualised.

3.2.3 Summary and implications for the research

In sum, this section of the framework developed and applied concepts associated with different forms and degrees of dependence on the labour market, family and the state, which

point out the inequalities associated with these dependencies within and across countries, in order to establish (a) the distinctive characteristics of in-work benefit policies relative to other overlapping policy areas and (b) the salient aspects of in-work benefit policies for cross-national comparison. On the first, the typology led to a three-fold categorisation of policies into archetypal in-work benefits, possible in-work benefits and not in-work benefits. To examine both the prevalence of more traditional forms of in-work benefits and examine the ‘novel’ ways states may be using the tax-benefit system to provide income support to working households, the empirical investigation will focus on the two archetypal forms: in-work cash transfers and refundable earned income tax credits. Using the case of Germany as a key reference point (Clasen, 2019), it will also examine whether EUMS have in place unemployment benefits that can be combined with earnings, referred to in this thesis as ‘adjusted unemployment benefits’.

The salient aspects of policy design and rules that are indicators of the orientation of in-work policies towards forms and degrees of dependence on the labour market, state and the family. This represents a ‘wish list’ and the operationalisation of the framework for the empirical investigation is discussed in the Methodology (Chapter 4). The interrelatedness of different forms of dependence was also discussed.

Finally, the framework was developed with reference to historical and contemporary context, with a view to exploring and developing arguments about how and why in-work benefit variation relates to context. For example, if policies across diverse welfare states are all oriented towards a dual-earner model, then this would be characterised in the more conservative welfare states of further evidence of policy recalibration towards activation. In contrast, if the investigation shows that in-work benefits in conservative welfare states are oriented towards a breadwinner model, then this would be indicative of a continuation of policy logics, in this domain. Importantly the emphasis of the framework is on policy orientation, not their actual effects, given the constraints in the thesis. Both parts of the framework and the research questions that were developed as a result are summarised in the concluding section.

3.3 Conclusion

This chapter developed the framework for a comparative analysis of in-work benefits across diverse contexts in recent decades. It comprised of two main parts. The broad part of the framework for contextualising in-work benefit variation outlined the historical and contemporary context that can be used to start to interpret trends and variance in in-work

benefit policies across EUMS across two levels: the regime or model of capitalism and the micro-institutional characteristics of policies. Moreover, it pinpointed three broad concepts that are also useful for contextualising in-work benefits with respect to institutions in terms of understanding policies as a form of change or continuity in capitalist democratic countries: (1) path-dependency whereby the status quo in terms of both logics and actual instruments is maintained; (2) reconfiguration or incremental reforms, whereby logics and/or instruments may be shifted, but not to the extent where there is a complete break with the past; and (3) path-breaking reform implies a stark shift of logics and/or instruments.

The second part of the framework was developed to further analyse the (varied) role of in-work benefits across democratic capitalist countries and over time, building on the roots outlined in the previous part of the framework. The broad premise of the framework was that variation in in-work benefits can be understood in a comparative perspective by considering how policies shape the extent to which citizens depend on the market, the state and the family as sources of welfare.

It first set out how the umbrella concept of ‘dependency relationships’ can be used to define in-work benefits relative to other policies that they are sometimes conflated with, which was summarised in a three-fold typology of in-work benefits, not in-work benefits and possible in-work benefits. This provides the list of policies which can be drawn from for empirical analysis of in-work benefits. A key argument made in the chapter was that the ‘possible’ in-work benefits can be better understood through empirical research comparing policy instruments and considering how they fit into context.

The second section set out how the concept of dependency relationships is further specified to identify and compare the *salient features* of in-work policies. Analysis of these features is expected to illuminate differences and similarities in the objectives and logics underpinning in-work benefits across countries as three key sticking points where conflict and inequalities play out. But it also provides a way of looking backwards within countries, to understand if there is a continuation of the logics and interests underpinning in-work benefits relating to forms of dependence in the development of welfare states as set out above.

Both parts of the framework thus serve to structure the focus of and contextualise the broad comparison of in-work benefits stipulated in the primary research question:

- 1) What is the nature and extent of variation in in-work benefits in EUMS?

The second part of the framework led to a more specific question:

- 2) To what extent and in what ways do EUMS' in-work benefit policies vary in their orientation towards dependence on the labour market, state and the family?

This also serves as a basis for further clarifying the definition of in-work benefits developed here through empirical investigation. The sub-themes underpinning both of these questions, based on the framework, involve situating in-work benefits with respect to socioeconomic factors, and both the contemporary and historical institutional context. This can be formulated as a broad question as follows:

- 3) How does variation in EUMS' in-work benefits policies map on to historical and contemporary context?

Thus, these questions and themes will be explored in the empirical analysis in Chapters 5 to 7. The next chapter outlines the methodology, the construction of the data and approach to the analysis.

4 METHODOLOGY

This thesis employed a cross-national comparative methodology to describe and analyse variance in in-work benefit policies in capitalist democratic countries. Supporting the theoretical aims to examine a diverse range of countries, the research examines in-work benefit variation in EU Member States (EUMS) from 2006 to 2017. This chapter describes and justifies the methodology. Section 4.1 outlines the research aims, questions and reasoning. Section 4.2 sets out the research design, which comprised of multiple, overlapping strands of the research into EUMS' in-work benefits, and it also situates the research within the field of cross-national comparative methodologies. Additionally, it outlines the operationalisation of the conceptual framework. Section 4.3 describes the data sources and the procedure that was followed for data collection. The methods that were employed to analyse the data are outlined section 4.4 and are also further specified in the empirical chapters (5 to 7). Section 4.5 reflects on the challenges and lessons learned from conducting cross-national research on in-work benefits, a novel and ill-defined area of policy which poses several challenges relating to finding and analysing data suitable for comparative research. The final section summarises the main points of the chapter.

4.1 Aims, questions and reasoning

The research aimed to describe the extent and nature of variation in EUMS' in-work benefits, including when and where policies are used and the form they take. Through the application of the framework set out in Chapter 3, which draws on political economy, comparative welfare state and social policy literature, the research also aimed to examine the orientation of in-work benefit policies to forms of dependency on the state, labour market and the family. Variation on these overlapping forms of dependency are likely to reveal differences in the objectives of policies and the analysis led to consideration of the logics and interests underpinning countries' in-work benefit policies. Another overlapping aim of the research was to contextualise trends and variation in in-work benefits, using ideal-type frameworks and indicators of the institutional and socio-economic context to aid the interpretation of how and why these policies relate to historical and contemporary context²⁴. The research questions set out below capture these research aims:

²⁴ In this thesis, the terms 'nation' and 'country' are used interchangeably. Both terms have controversies. Clasen (1999, p3) posits country is a 'political construct'. Hantrais, (1999, p.98) argues nation is a 'contested and loaded concept' as 'borders shift' and there is diversity within nations. The focus here is on nations' 'administrative and legal structures' (ibid) 'as given contexts for actors and institutions' (Clasen, 1999, p.3).

- 1) What is the nature and extent of variation in in-work benefits in EUMS?
 - a. Have in-work benefits become more commonplace in recent years?
 - b. How common are archetypal in-work benefit policies associated with liberal regimes?
- 2) To what extent and in what ways do EUMS' in-work benefit policies vary in their orientation towards dependence on the labour market, state and the family?
- 3) How does variation in EUMS' in-work benefits policies map on to historical and contemporary context?

As per the framework outlined in Chapter 3, the study was partly deductive in that the policies to be investigated and the salient features of policies and the conceptual framework for analysing variance in design and features were set out prior to the investigation (Mahoney and Terrie, 2008; Ebbinghaus, 2012). Yet, there was an inductive element exploring the relationship between in-work benefit variation and a number of contextual factors, namely: socio-economic factors and indicators of the extent of liberalisation across countries; and, regime typologies as a heuristic device for exploring the role of historical policy legacies and their associated logics (Rose, 1991, p.449). Moreover, the research design was broad in scope to examine the validity of the definition and conceptualisation of in-work benefits for cross-national research that was set out based on theory, which was re-evaluated throughout the research. Towards this aim, two archetypal in-work benefit sub-types (in-work cash transfers and refundable earned income tax credits) and two possible in-work benefit sub-types (non-refundable earned income tax credits and adjusted unemployment benefits), as defined in Chapter 4, were included in the investigation. They are defined again below. The next sections describe in more detail how the research was designed in line with these questions and aims.

4.2 Research design and parameters

In broad terms, the study comprised an explicit cross-national comparative policy analysis, including comparison over time (Kennett, 2004; Clasen, 1999; Clasen, 2004). It began with an all-encompassing investigation into all 27/28 EUMS' tax-benefit systems and then the focus narrowed, to different degrees, in each of the three parts of the investigation, into countries *with* in-work benefits, as per the definition of in-work benefits set out in the framework. The research, however, did not follow a linear process, partly because of the timings of the publication of data sources and the time taken to access some of the data. It

was also somewhat iterative, and insights from different phases of the research fed into each constituent part. The different strands of the research are summarised below.

4.2.1 The components of the empirical investigation

The empirical investigation comprised of multiple components as in-work benefits were probed from different angles to feed into a multi-faceted description and analysis of the extent and nature of variation across EUMS from 2006 to 2017. The components are summarised in the order they are presented in the thesis, starting with top-level detail about trends and variation across all EUMS, and then homing in on countries with in-work benefits for the subsequent parts of the analysis.

The first strand consists of an initial mapping out of the provisions listed above in EUMS for two time points: 2008 and 2016. This part of the investigation was intended to capture differences between countries in the form and use of policies. Presented alongside this is a comparison of variation in government expenditure on in-work cash transfers and earned income tax credits (refundable and non-refundable) across countries and time. Illuminating trends in in-work benefit ‘effort’ across countries, this part of the analysis represents a significant step forward in comparative research on in-work benefits as a result of a lack of expenditure data on in-work benefits. Both parts of the analysis contextualised with data on socio-economic context, as well as indicators of liberalisation in other areas of social and labour market policy, to explore possible ‘explanations’ for cross-national and temporal variation in the use of these policies.

The second strand of the research examined more closely the actual policies used. The dependency relationships framework, focusing on policy orientation towards state and familial forms and degrees of dependency, was operationalised through analysis of policy form, rules and design. This part of the investigation contributes further evidence of the extent to which and ways in which EUMS’ in-work policies vary. The analysis was conducted for 2016 only because of the constraints on the research, so it does not directly examine changes over time. Yet it contributes evidence that can be compared with historical and future in-work benefits research. The analysis was also contextualised, considering in particular the relevance of (historical) institutions in shaping the ‘micro-institutional’ features of in-work benefits.

The third and final empirical component of the study comprised a systematic comparison of one element of the labour market aspect of the theoretical framework, identified as

significant given the direct link to paid work in in-work policies. Given concerns about labour market inequalities post-industrial labour markets, and the conflicting arguments about the role of in-work benefits in exacerbating or offsetting risks associated with non-standard work in particular, the analysis compared the extent to which in-work benefits in EUMS were oriented towards ‘standard’ or ‘non-standard’ work. Quantitative indicators were developed to aid the systematic comparison of the non-standard orientation of in-work benefits. Again, the analysis of policy design was for 2016 only, however, the analysis had a temporal dimension in considering the role of historical and contemporary context, notably indicators of the structure of EUMS’ labour markets, in line with the third research question and in a way that speaks to the broad themes discussed in Chapters 2 and 3 about the relationship between labour market risks and in-work benefits.

4.2.2 Situating the methodology

The research presented in this thesis drew on cross-national comparative methodologies from social policy and the broader field of comparative welfare states and political economy research. It employed an explicit cross-national methodology in that it compared phenomena across countries (as opposed to an implicit method focusing on one country but using concepts developed from other countries) (Rose, 1991, p.447). Even though ‘convergent’ pressures and contemporary contexts are likely to create new needs and demands for policies, and ideologies and power-structures have in some cases more than others disrupted national political processes, such ‘convergent’ pressures are still mediated through national contexts. Thus, the methodology prioritises an understanding of national-specifications of in-work benefits, instead of assuming homogeneity or universalism, in order to ascertain where, when and which cross-cutting interests and ideals lead to variation in nations’ in-work benefit policies, which are also key to understanding policy outcomes both in the short-run and longer-term on the possibilities of future political processes (Hall, 2016; Hantrais, 1999).

As outlined by Hantrais (1999, p.94) the comparative methodology employed in this thesis comprised a mid-way point between comparative methodologies that, on the one hand, consider social reality to be ‘context free’, and those on the other which see it as ‘context bound’: instead seeing social reality ‘...as context dependent, but the context itself serves as an important explanatory variable and an enabling tool, rather than constituting a barrier to effective cross-national comparisons’.

The conceptualisation of in-work benefits in this thesis resonated above the level of the nation state in a broad sense implying a wider shift in logics and in the tools of contemporary capitalism concerning dependency on the state and the labour market for working households. Yet, beyond this, national provisions were the main focus of the research, as national factors are likely to interact with historical and contemporary context to produce different versions of in-work benefits, with different effects.

Towards this end, the research drew on one of two methodologies pioneered by Esping-Andersen's (1990) *Three Worlds of Welfare Capitalism*, which compared policy design and rules using a conceptual framework to compare across countries and to analyse the historical and political contingency of policymaking, as well as the relationship between power, policy preferences and the ongoing development of policies in line with predominant interests and logics (Clasen et al., 2015a; Mabbett and Bolderson, 1999; Hesse-Biber and Johnson, 2015). However, as outlined below, countries (or cases) were not selected on the basis of ideal-types, instead, the aim was to explore the outcome of interest (in-work benefits) across countries which have previously clustered into ideal-types, in versions of capitalism, welfare regimes and associated frameworks (Ragin, 1987). Yet, the *analysis* was structured according to ideal-types, comparing both across countries and regimes, to explicitly facilitate exploration of the (different) ways policy legacies shape in-work benefits across countries (Emmenegger et al., 2015, p.7).

The main empirical focus was therefore on (descriptions of) policy rules and design features and on policy expenditure, in order to 'understand' in-work benefits from a comparative perspective. The ontology underpinning this focus is one which sees social policies as multi-faceted and multi-dimensional phenomena. While the interpretation and construction of policies in national contexts plays out on both the experiences of receiving them and what they mean to political actors (different dimensions), policies are also understood to constitute an empirical reality, which can be 'accessed' by researchers employing different techniques, each with their own merits and drawbacks (Daigneault, 2014a). Different methods for studying in-work benefits can lead to distinctive, overlapping, complementary and even contradictory insights regarding what policies are and the aims and ideals they are oriented towards.

Specifically, the study design prioritised policy design, rules and expenditure, which were understood to comprise a formalised, codified output of a political process, which actors' preferences and institutional factors have fed into (Daigneault, 2015). The focus on

qualitative and quantitative features of in-work benefits was informed by critiques of one-dimensional studies of social policy or entire welfare states examining only expenditure as an indicator of 'welfare stateness' or 'effort' (Clasen, 1999, p.2); and drew instead from perspectives whereby qualitative features of policies are researched as a means for understanding the social, political and economic objectives policies are informed by and shape.

The analysis of policy expenditure, therefore, was intended to add another facet to the analysis of the qualitative features of policies. Although expenditure can change for a variety of reasons, comparing countries' in-work benefit expenditure across countries and over time captured, at a fundamental level, the amount of national resources that were directed towards provisions, the salience of which was interpreted using the theoretical framework considering the qualitative and quantitative dimensions in tandem.

The main focus of the empirical investigation was on the 'dependent variable'. The extent to which the methodology engages with context differs from both deep-immersion and case-oriented studies found in both historical institutionalism and comparative social policy and welfare state research (Lynch and Rhodes, 2016; Mahoney and Terrie, 2008; Vlandas, 2013; Clasen and Clegg, 2006), and the multi-level statistical analyses which often employs many contextual variables to analyse their (mediated) effects.

This was because the research aim concerning trends and variance in in-work benefits in capitalist democratic countries tipped the scales in the favour of a broader-brush study, focusing on the incidence of in-work benefits and their characteristics; which could then feed into more theoretically informed research into the determinants and processes in a smaller number of select cases. In this sense, there was a trade-off between deeper immersion to understand policies in national and/or regime contexts and the processes involved, and an understanding of the broader development of an under-researched yet contentious area of social policy across a wider range of countries and time. Yet, both are seen to have merits for building theory and understanding social phenomena (Carmel, 1999; Ebbinghaus, 2012).

However, the statistical analysis of quantitative in-work benefit expenditure data and the indicators of socio-economic and institutional context in the second element of the research (Spicker, 2018; Clasen and Siegel, 2007) took a particular form. Unlike in some positivist and universalist large-N statistical studies, indicators of socio-economic and institutional context were factored into the analysis to explore the possible interaction between these processes and pressures and national policymaking, which were assumed to be different in

national contexts (Spicker, 2018). For example, high levels of in-work poverty (according to standardised measures across EUMS) could create perceptions within certain countries that in-work poverty is a problem a government must respond to with in-work benefits; elsewhere political and/or institutional factors could lead actors to emphasize alternative strategies, or not perceive in-work poverty as a pressing problem, e.g. because of the socio-political groups affected (Clasen, 2019; Vlandas, 2013; Häusermann et al., 2013).

Finally, the methodology departs in a number of significant ways from the “evaluative” paradigm predominating in-work benefits research. Evaluative researchers typically employ qualitative and quantitative methods to analyse the effects of specific types or ‘packages’ of policies on various outcomes (J Bradshaw and Finch, 2002). A typical example would be studying the effects of in-work benefit policies on poverty, employment, inequality, wages, social inclusion and gender equality, in specific contexts (Immervoll and Pearson, 2009; Brewer et al., 2012; Brewer et al., 2005). Questions about power and broader social, economic and political consequences of in-work benefits do not typically feature in these studies. Moreover, explanatory questions about why policies vary are rarely considered (Mabbett and Bolderson, 1999, p. 36–37, 41).

Yet, this research shares with many evaluative studies the focus on policy design and rules, and the techniques employed to analyse the data, including a systematic comparison of policy design guided by the development of indicators to compare countries’ policies (Knotz and Immervoll, 2018) and the recognition of the complex relationship between design, context and outcomes (Mabbett and Bolderson, 1999, p.40). The latter point highlights the limits (and opportunities) for analysing in-work benefits in isolation and an understanding that the analysis is of *policy orientation* rather than its actual effects on dependency relationships. In this vein, the descriptions of legislative frameworks could differ to the actual implementation of policies, e.g. because of policy failure. Yet, the focus on actual policies and their relationship to the political, social and economic context, could lead to the identification of discrepancies in formal rules and the experiences and implementation of policies on the ground in future research (Knotz and Immervoll, 2018).

The next section describes and justifies the spatial and temporal parameters of the research.

4.2.3 Cross-national and temporal comparison

The research comprises a series of cross-national comparisons over-time. It starts with a broad focus on all 27- 28 European Union member states (Croatia joined in 2009) from 2006

to 2017 as there was limited evidence of variation in in-work benefits over time and across countries, especially on expenditure, from which to select cases: a broader account of trends and variation filled this vacuum. The wide scope of all EUMS also addresses a bias in in-work benefit research that has neglected Central and Eastern European and Southern European countries, which is likely due to assumptions about their different economic and political histories and stages of welfare state development.

One drawback of only including EUMS concerns the welfare regime framework and the exclusion of Liberal & Nordic regime countries from outside of the EU, e.g. US, Australia and Norway, which are included in other studies (Marchal and Marx, 2018). Yet, as discussed below, more data were available for EUMS, meaning there was a trade-off involved between maximising the validity of the research by triangulation of data, for what is still a diverse range of countries, versus, thinner or patchier analysis, with limited opportunities for triangulation, on, for example, OECD countries (Soentken and Weishaupt, 2015, p.594).

To restrict the scope of the study so that it remained manageable but still facilitated exploration of changes and structural and cyclical pressures, the time-based sampling of the investigation prioritised medium-term trends by setting the temporal parameters of the study from 2006 to 2017. There were also trade-offs in terms of the level of depth and breadth with regards to analysis of policy design. The analysis of expenditure is carried out annually from 2006 to 2017; the mapping of in-work benefits is carried out for two snapshots in 2008 and 2016; the analysis of policy design was only carried out for 2016. This is because the process for collecting data for expenditure was less time-intensive than searching tax-benefit systems for relevant policies, and for collecting and analysing data on policy design features and rules. The snapshots do not capture changes occurring between the time-points. However, the frameworks emphasize an understanding of in-work benefits with reference to ongoing processes in capitalist societies (e.g. liberalisation) and the sampling lends itself to drawing conclusions about medium-term changes in in-work benefits that are interpreted through historical frameworks (Pierson, 2001; Lynch and Rhodes, 2016; Thelen and Streeck, 2005).

4.2.4 Operationalising the conceptual framework

The research employs a conceptual framework for analysing varied and complex policies across countries which requires a level of abstraction for comparison (Clasen, 1999). Yet, this cannot be too vague or be so restrictive that it loses meaning beyond a set context (Collier and Gerring, 2009). Careful operationalisation of concepts the ‘tool in cross-national

comparative research' is imperative (Hamblin, 2009, p.93): it bridges the gap between the abstract concepts and empirical observations and guides data collection and analysis (Clasen et al., 2015a). Both concepts and operationalisation pose challenges and risks in terms of finding appropriate and logical empirical reference in comparative research, namely 'construct equivalence' (Mabbett and Bolderson, 1999, p.45; Mills et al., 2006). There are particular challenges in operationalising concepts for cross-national comparison: untranslatable language, different administrative categories and different labelling and formation of policies all generate difficulties and complexities (Collier and Gerring, 2009; Carmel, 1999).

The previous chapter outlined the conceptualisation of in-work benefits for cross-national comparison as policies that imply combine dependence on the state for income maintenance with dependence on employers for wages. Policies were categorised as: (1) archetypal in-work benefits; (2) possible in-work benefits and (3) not in-work benefits. A range of policies could fit this conceptualisation. However, weighing up practical considerations about what is feasible given the resources of the study as well as theoretical relevance of different instruments within this typology, three kinds of provision were selected for the empirical investigation. The first, in-work cash transfers, represent an archetypal in-work benefit. The second area – earned income tax credits – if refundable represents an archetypal in-work benefit in the typology and represents a possible in-work benefit if non-refundable. However, refundable and non-refundable earned income tax credits were bunched together for parts of the analysis to simplify the interpretation of what is already a variegated definition. The legitimacy of doing so was questioned throughout the research as more was learned about these policies. The third kind - adjusted unemployment benefits – also represents a 'possible in-work benefit'. A low initial threshold was set for including unemployment benefits that can be received while the recipient is undertaking paid work. Including these provisions thus provided an opportunity to question whether in fact they should be considered a form of in-work benefits through a wide-ranging comparison of the amount and kinds of what that recipients can carry out while in receipt of unemployment benefit in EUMS.

These policy sub-types are broadly based on administrative categories of benefits but also refer to specific design features of policies. However, administrative categories and policy labels are not the same across countries, and policies may therefore be inconsistently included or excluded across countries on the basis of these categories alone. As such, the

identification of in-work benefits in EUMS was guided by a detailed list of inclusion criteria for each sub-type that goes beyond administrative categories and labels. This is outlined in Table 4.1.

Table 4.1 Inclusion criteria for comparative research into in-work benefits

Sub-type	Inclusion Criteria
In-work cash transfers	<ul style="list-style-type: none"> • Cash transfers • In social security system • Not earmarked for specific goods or services • Exclusively for households or individuals with employment status as employees, self-employed or any or form of paid participation in the labour market, as stated in eligibility criteria • May have additional eligibility criteria (e.g. working parents only)
Earned income tax credits	<ul style="list-style-type: none"> • In tax system • Tax credits are refundable (can reduce tax liabilities below zero and thus lead to a transfer) or non-refundable (can reduce tax liabilities but not below zero) • Eligibility criteria/rules mean recipients must have earnings (from work) or they explicitly mention the in-work employment status of recipients • May have additional primary eligibility requirements (e.g. working parents only)
Adjusted unemployment benefits	<ul style="list-style-type: none"> • Cash transfers in the form of unemployment benefit • Contributory or non-contributory, earnings-related, flat rate or means-tested • Primary eligibility criterion is unemployment status, but there must be at least <i>one of</i> the three following in-work levers: <ul style="list-style-type: none"> ○ Earnings disregards (some earned income does not count towards assessment of eligibility or entitlement); ○ Eligibility criteria/ policy rules state that participation in paid work is allowed alongside receipt of benefit; ○ A phase out so that the benefit is phased out with earnings, rather than entitlement stopping immediately with any earned income.

The inclusion criteria were intended to transcend administrative categories or labels, which could differ across countries. Yet, a few anomalous or problematic in-work benefit policies did not neatly fit with the sub-categorisation of in-work benefits employed. The first of these is the UK's Universal Credit, which is categorised as an in-work cash transfer. However, Universal Credit merges several in and out of work means-tested benefits into one. As the

benefit can be received by individuals, both in and out of work, it spans across the adjusted unemployment benefit and in-work cash transfer sub-categories. Yet, the emphasis on means-testing, examined further in the empirical analysis, makes the policy more closely resemble in-work cash transfer policies in other countries.

The second ‘problematic’ policy was Italy’s Family Allowances. The classification of the benefit as an in-work benefit rests on the eligibility rule that 70 per cent of income to be from earnings and recipients must be ‘employees’. However, unemployment benefits also constitute earnings in Italy (Rastrigina et al., 2018). Those entitled to claim Family Allowances are ‘employees and their families’ but it is also paid to (former) employees who are either unemployed or retired. In some studies, the policy is categorised as a family/child policy, but the emphasis on employment income (or former employee status) was considered a significant enough emphasis on work for it to be considered an in-work benefit in this investigation. Moreover, households with or without children are eligible for the benefit. The definition and classification of the policy is put into a comparative perspective in the findings presented in this thesis.

Some of the policies classified as earned income tax credits also test the boundaries of sub-types. The names of some relevant provisions suggest they are not in-work benefits (e.g. Slovakia’s Child Tax Credits). However, eligibility for Slovakia’s Child Tax Credit requires a parent to be employed and earn at least six times the minimum wage annually or be in self-employment with gross revenues equivalent to six times the minimum wage. Thus, in order to be eligible, recipient households must be in work, which was not stated in child tax credits in other countries. There were similar examples of tax credits that were named in line with the need or specific group they were targeting (e.g. lone parents) but eligibility was conditional on paid work.

Finally, adjusted unemployment benefits were included in the study based on a low threshold in that the rules or design means that recipients can undertake paid work while receiving the benefit, regardless of what happens to their earnings. Yet, these policies varied considerably in terms of the amount of earnings and work, and the kinds of work, that were permitted. In many countries, this is likely to be ‘too low’ for them to be considered de-facto in-work benefits. This was put in a comparative perspective in the analysis presented in Chapter 7.

Table 4.2 summarises the way in which the dependency relationships framework, discussed in Chapter 3, of state, family and market, was operationalised in the research. It examines both the qualitative and quantitative dimensions of policy design while considering the

interaction of different elements of policy design and the rules of these relationships. The ‘degree’ or ‘strength’ of the relationship is operationalised differently to the ‘quality’ or ‘form’ of the dependency relationships in-work benefits are oriented towards.

Table 4.2 Orientation of in-work benefits towards different degrees and forms of state-family-market dependence

Dependency relationships	Operationalisation
State (i.e. how much and what kind of relationship with the state are in-work benefits oriented towards?)	Degree of relationship: <ul style="list-style-type: none"> • Whether in-work benefits are used • Levels/ generosity of benefits (more generous imply oriented towards higher degree of state dependence than less generous) Quality of relationship: <ul style="list-style-type: none"> • Whether in-work benefits are fiscal (tax) or social • The extent of targeting in in-work benefits • The presence and strength of behavioural requirements and conditionality
Labour market (i.e. what type and what level of labour market relationship are in-work benefits oriented towards?*)	Degree of relationship: <ul style="list-style-type: none"> • Earnings and work hours restrictions/ requirements (higher earnings requirements and restrictions require policies are oriented towards fuller labour market participation) Quality of relationship: <ul style="list-style-type: none"> • Work status, hours and earnings restrictions/ requirements
Family (i.e. what kind and what amount of dependence among family members are in-work benefits oriented towards?**)	Degree of relationship: <ul style="list-style-type: none"> • Means-test (individualised or familial) Quality of relationship: <ul style="list-style-type: none"> • Rules and requirements concerning family-members, e.g. child-based eligibility, couples work requirements

Notes: * The operationalisation of the labour market orientation of in-work benefits is discussed further below (Section 4.4.3) ** The family unit was not defined a priori; family is conceptualised differently across welfare states and regimes, the analysis mostly centred on analysis of rules concerning spouses and children, but for some policies broader rules concerning dependents were also salient.

For example, the levels of in-work benefits formed the main indicator of the degree to which there was an orientation towards state dependency provisions, with higher levels indicating an orientation towards more state dependency than lower levels. At the same time, the *quality* of this dependency relationship will be affected by the form and design of the provision, with an earned income tax credit more likely to symbolise a light-touch and non-stigmatising form of state support, in comparison to in-work support within unemployment

benefits. In the latter case, behavioural conditions and sanctions for non-compliance indicate policies are oriented towards a more punitive dependency relationship with the state.

The association between certain features and the degree and nature of dependency relationships is theoretical. It assumes fiscal welfare has different social and political dynamics to social welfare and that the targeting of policies on specific groups also has sociological and political relevance (Titmuss, 1958; Morel et al., 2018; Oorschot and Roosma, 2015). Yet, the social and political dynamics and the nature of tax and social security policies and their association with stigma, for example, is also likely to vary across contexts (e.g. systems with more narrowly targeted, means-tested benefits could be more stigmatising) (Baumberg, 2016; Oorschot and Roosma, 2015). The merits of this assumption can be examined further with the actual empirical investigation into policies in the research, but it cannot be accessed completely through the research design.

As stated above, indicators of contemporary and historical context were also fed into the analysis to aid the interpretation of the findings. For example, welfare regimes were used to explore the role of social policy legacies in shaping countries' in-work benefit policies (qualitatively and quantitatively). Indicators of socio-economic context were selected on the basis of the arguments in the theoretical framework about the significance of labour market risks and in-work benefit trends. Moreover, indicators of social and labour market policies also fed into the analysis, to explore the relationship between the use and extent of in-work benefits and arguments about (different forms of) liberalisation, that in-work benefits are argued to be a part of.

The conceptual framework guided the data collection and analysis, which is outlined in the next two sections of this chapter.

4.3 Data sources and collection: EU-IWB

Prior to this research project, there was no cross-national dataset on in-work benefits for the time-period studied, which would allow analysis of in-work benefit variation in line with the conceptual and theoretical framework. Therefore, a new and unique dataset on in-work benefits in EU countries – 'EU-IWB' – was designed and created. The EU-IWB dataset contains variables on in-work benefit types, design, rules and expenditure and was structured and organised in line with the research aims. The sources feeding into the dataset and process of data collection and processing are described below.

4.3.1 Data on countries' tax-benefit systems

The study began by looking for sources of data for comparison of the extent and form of variation in and across advanced democratic countries in recent decades. The most comprehensive comparative dataset on the design features and rules of in-work benefits, and thus by default whether countries had in place such provisions were the OECD's employment conditional earning subsidies tables (e.g. OECD, 2010). However, on their own this data did not meet the needs of the research. The policies included in the dataset only partly overlapped with definition of in-work benefits set out in Chapter 2; data were "processed" by the OECD, which meant interpretation of variance across policies would be constrained by a lens which did not completely align with the operationalisation of concepts outline above (Kennett, 2001). Similar issues have been identified for comparative studies of active labour market policy (Clasen et al., 2015a). Moreover, the only other data on in-work benefits in OECD countries was also produced by the OECD. Given the contested definition of such provisions, and the potential for 'missing' relevant reforms, relying on one overarching data source would limit the scope for triangulation and thus could hinder the reliability of the study.

Instead, data on in-work benefit policy design and rules were collected from several sources. The main data source and first port of call were 'country policy descriptions' produced by the OECD (2019a) for its tax-benefit model. These took the form of detailed reports of national tax benefit systems, namely 'the rules to calculate tax and benefit amounts as they apply to the family types that are within the scope of the OECD tax-benefit model' (ibid). They are also "processed" but to a lesser degree than the Employment Conditional Earning Subsidies tables mentioned above. At the time of conducting the initial mapping phase of the research, the most recent reports available included policy details corresponding to 2016. Through email correspondence with the OECD in the early phases of the research I anticipated 2017 and 2018 reports would be published in time to be incorporated into the research. However, a delay in the release of the most recent data meant the data on policy types and design was collected for 2008 and 2016 only²⁵.

Either way, there were several advantages to using the OECD's country policy descriptions as the main initial data source. First, they follow a broadly standardised template for describing social benefits and tax systems for all OECD countries and additional EU

²⁵ Later reports were released during later stages of the analysis and are used as supplementary sources. However, 2018 data were not properly incorporated into the study due to the delay.

countries. Importantly, the structure of the reports was conducive for assessing tax and social benefit policies against the inclusion criteria. For example, they include the ‘employment conditional earning subsidies’ policy category, which overlaps with the in-work benefits definition outlined above but the reports included other policy areas that could also be searched for in-work benefits. Descriptions of unemployment benefits in the data also indicated if such provisions can be received alongside earned income, aiding the identification of ‘adjusted unemployment benefits’. Moreover, reports were available in English for most countries (the mother tongue of the researcher) and were produced by policy experts on each country, overcoming some of the issues for comparative researchers face when navigating complex systems they are unfamiliar with, bolstering the validity of the findings (Marchal and Marx, 2018, p.22).

Data were also collected from tax-benefit country reports produced by EUROMOD, a tax benefit simulation model for the EU developed at the University of Essex (Sutherland and Figari, 2013). EUROMOD country reports are similar to the OECD policy descriptions in that they comprise of detailed descriptions of national (and some regional) policies that make up countries’ tax benefit systems (EUROMOD, 2019). They do not include an ‘in-work benefits’ category and descriptions of unemployment benefits do not consistently state whether the benefit can be received alongside paid work (as is the case in the OECD reports). In the few cases where policies are categorised as ‘in-work benefits’, this tended not to include earned income tax credits or adjusted unemployment benefits. Nevertheless, in conjunction with the OECD reports, the EUROMOD reports were used for corroboration – e.g. to check the policies identified in the OECD reports meet the inclusion criteria. They also contained additional details facilitating the analysis of policy rules and design in line with the framework. They were also used in the cases where data could not be collected from the OECD reports. For example, in the case of Belgium and France, OECD country descriptions are only in French and the report for Ireland for 2016 is missing²⁶.

An additional source, the Mutual Information System on Social Protection (MISSOC) comparative database, was used when further clarification was needed on adjusted unemployment benefits as in some cases it was not clear from the OECD and EUROMOD reports whether unemployment benefits could be combined with paid work. In a few cases, national data sources, usually in the form of descriptions of policies on government websites (in English), or legislative documents, were accessed as a last resort where, for example, an

²⁶ Ireland was not able to produce a report for the year due to budgetary constraints (personal correspondence with the OECD).

aspect of policy rules or design was unclear or not detailed in the above sources. Finally, national sources were used when trying to identify the dates policies were introduced or abolished as this is not typically detailed in the sources described above. A full list of all of the sources are provided in Appendix A.

The relevant data were collected from these sources first for 2016 and then 2008 according to the following process:

- i. The employment conditional earning subsidies section of OECD country descriptions were checked for relevant policies. Policies meeting the inclusion criteria were added to a provisional list organised by sub-type.
- ii. Other policy categories were checked for policies defined as in-work benefits for this study (earned income tax credits and unemployment benefit) and the relevant policies added to the provisional list of policies.
- iii. The list of policies drawn up from the OECD country descriptions was cross-checked with the EUROMOD country reports.

Once the provisional list had been cross-checked, data on the following were added to the EU-IWB data set: whether or not countries had in-work benefits for 2008 and 2016, the name of the policy in English and in the local language (where given), policy sub-type (initial classification), and relevant policy features and rules for the analysis, e.g. eligibility criteria concerning employment status. These additional details were taken from all sources as rarely did one source contain all the required information.

There were a number of challenges involved collecting data on in-work benefits in EUMS. First, countries' tax and social benefit systems are complex and idiosyncratic. There are specific challenges in researching tax systems, as taxation is less likely to be within the repertoire of social policy researchers' knowledge. Tax measures are difficult to interpret even when described in a "standardised" format for international comparison. While care was taken to collect data just for earned income tax credits, the different use of labels and ways of describing tax systems across countries means there is some uncertainty involved in the mapping of schemes.

In a similar vein, there were challenges categorising policies into the three broad sub-types: in-work cash transfers, earned income tax credits and adjusted unemployment benefits. Policy labels did not always reflect the policy sub-type. The main example of this is the UK's Working Tax Credit, which is closer to an in-work cash transfer (Clasen, 2019). The use of multiple data sources that were standardised for purposes of international comparison

mainly helped to address confusion about whether to include or exclude policies, but such problems reflect the limits of one researcher conducting cross-national comparative research across a moderate number of countries.

Moreover, the details and features of policies for operationalising the conceptual framework comparing policies with respect to dependency relationship in the main sources was also inconsistent across countries and for data were not available for all provisions for all the features and rules outlined in section 4.2.4. For example, concerning the orientation of in-work benefits towards different degrees on state dependency, in some cases it was not possible to calculate the levels of a certain policy from the information in the country reports. It was not possible to calculate the level of many of the ‘adjusted unemployment benefits’ so they were omitted from this part of the analysis. In-work cash transfers descriptions included details on levels but often the examples or thresholds given were for different household types. Where possible, using the information available, levels were calculated for similar household types across countries, but these were not perfect matches.

The comparison of the levels of earned income tax credits was more straightforward as many are individualised and do not include as many rules concerning means and household composition. The descriptions of policies regularly included the maximum amount or a clear formula for calculating this using data on wages for a given country/year. However, the descriptions of these provisions typically detailed the maximum level of the credit, thus it represented the most extreme version of the orientation of the policy towards state dependence for working households.

Despite these caveats, as this data was available for most countries, it was possible to build a near complete comparative picture of the maximum levels of earned income tax credits, which revealed quite striking differences across (groups of) countries on this dimension of variation. Similar issues concerning patchy data were apparent for many aspects of the dependency relationships framework for comparing policy design and rules. This is discussed in relation to the labour market aspect of the framework below in section 4.4.3.

4.3.2 Estimating expenditure data

The lack of standardised cross-national data on in-work benefit expenditure creates a challenge for comparative research. The closest existing dataset available was the OECD’s (2019b) Social Expenditure database (‘detailed data’). However, in-work benefits were inconsistently characterised and labelled under each country. National or administrative data

on public expenditure disaggregated at the programme level could not be sourced for all countries or policies. The lack of standardisation across national datasets creates issues of reliability.

To address this problem, in-work benefit expenditure was estimated using a tax-benefit simulation model. Tax-benefit models use household level input data to estimate the amount of ‘entitlements’ for tax benefits and social benefits for individuals or households within a given country. Even if earned income tax credits do not lead to a transfer to the recipient, they are still a form of ‘revenue forgone’ in that the state does not receive the taxation it would should they were in place and are thus increasingly considered a form of public expenditure (Morel et al., 2018, p.550). Tax-benefit models can therefore be used to estimate government expenditure on a given policy by totalling the entitlements for all individuals/households for a weighted representative sample of each country (Barrios et al., 2016).

EUROMOD, a model of national tax-benefit systems for all 27-28 EU Member States (Sutherland and Figari, 2013), had several strengths for this research. First, it is developed following standardised procedures by national experts for EUMS and is therefore intended to produce output for meaningful comparison across countries. The years covered by the model vary across countries, but it covered all of the countries with in-work benefits and possible in-work benefits from 2007 to 2017. Moreover, the coordinators and developers of EUROMOD run training workshops in the UK, which I attended, in order to gain the technical expertise to carry out the simulations²⁷. The developers and coordinators for EUROMOD were consulted on my proposed use of the model to estimate expenditure and some specific questions about estimates I had generated using the model. Some of my queries were sent to the country experts who develop the models for each EUMS to check for discrepancies (I return to this point below). The dialogue and ‘checking’ process between the researcher, the coordinators of the model, and the national experts/ developers, add to validity of the findings.

However, there were some drawbacks. One of the main limitations of using EUROMOD was that it was not possible to estimate expenditure on adjusted unemployment benefits for all countries. Mainly this was because unemployment benefit entitlement was not calculated at all in the model for various reasons, e.g. because the household level input data did not include sufficient detail to calculate entitlement, such as work history. Thus, expenditure

²⁷ Nuffield-EUROMOD-UK training: 1-2 April 2019, Open University, London.

data were only estimated for the two in-work benefit sub-types: earned income tax credits and in-work cash transfers. It was not possible to estimate expenditure data for Finland as the policy identified for this country was not modelled in EUROMOD.

The input data (that feeds into the model to calculate entitlement and liabilities) takes the form of household panel data covering a representative sample of the working age population in each country for set years. It is processed by EUROMOD so that it can be used for time-series analysis and so that it is compatible with the model, e.g. benefits are uprated (Sutherland and Figari, 2013). For most countries and years, the input data is EU-SILC, provided by Eurostat, with some exceptions, e.g. the UK uses the Family Resources Survey. The full list of input data and information about access that was granted for the research is in Appendix B. Expenditure on in-work benefits was estimated by running the model version I1.0+ 2006 through to 2017 with the ‘best fit’ input data. The output shows how much each individual receives/owes under each social security and tax policy in the model. The model calculates the monthly entitlements/liabilities for all programmes even if not received monthly in practice. Moreover, if a benefit/tax is at the household level, it is split across members of the household.

The relevant policies in the output were identified from the first element of the research using the OECD country descriptions and EUROMOD country reports. These policies were then identified in the model interface. As the initial phase of the research was carried out for two time points, and the expenditure analysis was annual, some additional policies were identified for the interim years that were not captured in the mapping phase of the research following further examination of the EUROMOD country reports for other years. Moreover, some policies identified in the initial mapping were not in the model: Finland’s earned income tax credit and the UK’s Universal Credit. Thus, expenditure data could not be estimated for Finland at all and the UK’s expenditure data is partial as it is based on Working Tax Credit expenditure only. The full list of policies for which expenditure is estimated is displayed in Table 4.3. The descriptive summary statistics of the expenditure dataset estimated for the research are presented in in Appendix H by country (all years).

Table 4.3 Overview of expenditure dataset (in-work cash transfers and earned income tax credits only)

MS	Policy	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	# years missing
AT	Sole Earners' Tax Credit	99	99	99	Y	Y	Y	Y	Y	Y	Y	Y	99	4
AT	Lone Parents' Tax Credit	99	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	1
AT	Employees' Tax Credit	99	99	99	Y	Y	Y	Y	Y	Y	Y	Y	0	3
BE	Tax Credit on Low Activity Income Credit	Y	Y	Y	Y	Y	0	0	0	0	0	0	0	0
BE	Tax Credit on Low Activity Income + Fiscal workbonus	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0
DK	Earned Income Tax Credit (EITC)	99	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	1
EE	Non-Refundable Credit Low Income Workers	0	0	0	0	0	0	0	0	0	0	Y	0	0
FR	'Revenu de Solidarité Active' (RSA)	0	0	0	Y	Y	Y	Y	Y	Y	Y	x	x	0
FR	Activity Allowances (PDA)	0	0	0	0	0	0	0	0	0	0	Y	Y	0
FR	Work Premium (PPE)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0	0	0
IE	Family Income Supplement (FIS)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
IE	PAYE Tax Credit	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
IE	Earned Income Tax Credit	0	0	0	0	0	0	0	0	0	0	Y	Y	0
IT	Family Allowances	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
IT	PAYE Tax Credit	/	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
IT	Self-Employed Credit	/	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
IT	80 Euro Bonus/ Fiscal Bonus	0	0	0	0	0	0	0	0	Y	Y	Y	Y	0
LU	Employee Tax Credit	0	0	0	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
LU	Self-Employed Tax Credit	0	0	0	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
MT	In-Work Benefit	0	0	0	0	0	0	0	0	0	Y	Y	Y	0
NL	Work Credit	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
NL	Income Dependent Combination Credit	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
SK	Child Tax Credit	99	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	1

(Continued)

Table 4.3 (Continued)

MS	Policy	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	# years missing
SK	Employee Tax Credit (ETC)	0	0	0	Y	Y	Y	Y	Y	Y	Y	Y	0	0
ES	Working Mother Tax Credit	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
ES	Working Lone Parent Tax credit	0	0	0	0	0	0	0	0	0	Y	Y	Y	0
ES	Working Large Families Credit	0	0	0	0	0	0	0	0	0	Y	Y	Y	0
SE	Earned Income Tax Credit (EITC)	0	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
UK	Working Tax Credits (WTC)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	0
Valid per year		23	28	28	30	30	30	30	29	29	29	27	27	

Notes: Expenditure data estimated by the author for the above policies and years using EUROMOD and input data (Appendix B), unless stated otherwise. Additional information is provided on the limits and any discrepancies in the data as follows: '/' Cannot confirm if policy was in place or missing data; '99' Missing data; 'Y' Expenditure data generated for year/ policy; '0' Policy expenditure 0 because policy not in place, Green fill indicates expenditure estimated by author using EUROMOD. Yellow fill indicates a discrepancy in validation exercise (See Table 4.4). Peach fill indicates that expenditure data from EUROMOD Country Reports instead of own estimate.

After running the model for the relevant countries and years, annual expenditure for each of the relevant policies was calculated using the EUROMOD output data in Stata Statistical Software²⁸ by: (1) multiplying the individual entitlement to the benefit by the population weights included in the EUROMOD output data, (2) multiplying this by 12 to get the annual amount received and (3) summing this to get the total entitlement for that policy for the year. The calculation was carried out for all relevant policies in each country (where more than one policy was in use).

For each country, the total entitlement for all relevant policies was aggregated by sub-type, which were then aggregated for total expenditure figure. The process was repeated for each year (2006 – 2017) to generate time-series in-work benefit expenditure data. Finally, annual country expenditure data were also calculated as a proportion of public expenditure and as a proportion of GDP to facilitate comparison across countries and time. The GDP and public expenditure indicators are described below, and the analysis of the expenditure data is discussed in section 4.4.

Several steps were taken to validate the estimates of expenditure on in-work benefits. The details of validation are provided in Table 4.4. First, estimates of annual expenditure for each relevant policy were validated using the EUROMOD country reports, some of which include in the appendices estimates of annual expenditure for policies in the models by the experts for each country that develop the EUROMOD model. These are in the form of total entitlement estimates for each policy. A total of 14 policies were validated. However, 15 policies could not be validated because this information was not available in the country reports, including all policies in Austria, Belgium, Luxembourg and the Netherlands.

Comparing my estimates with those in the appendices, a discrepancy of 6 per cent of the experts' estimate was considered sufficient, as some discrepancies can be expected due to updates to the EUROMOD model, rounding, or the use of different 'best fit' input data (there are several versions of input data for each year)²⁹. For 11 policies, there were matched or within the acceptable range. For policies in Ireland, Spain and France, discrepancies were beyond acceptable parameters and advice from EUROMOD experts was sought.

²⁸ StataCorp. 2017. Stata Statistical Software: Release 15. College Station, TX: StataCorp LLC.

²⁹ Personal correspondence with EUROMOD developers.

Table 4.4 Validation of expenditure data estimates using EUROMOD

EUMS	Policy	Comparison with CR	Cautions
AT	Sole Earners' Tax Credit	Not in CR	No validation
AT	Lone Parents' Tax Credit	Not in CR	No validation
AT	Employees' Tax Credit	Not in CR	No validation
BE	Tax Credit on Low Activity Income Credit	Not in CR	No validation
BE	Tax Credit on Low Activity Income + Fiscal workbonus	Not in CR	No validation
DK	Earned Income Tax Credit (EITC)	Match	No external validation
EE	Non-Refundable Credit Low Income Workers	Match	Over external
FR	'Revenu de Solidarité Active' (RSA)	Match	Under external
FR	Activity Allowances (PDA)	Overestimate	Slightly over
FR	Work Premium (PPE)	Approx. 6% under	Slightly under
IE	Family Income Supplement (FIS)	Approx. 3% over	No external validation,
IE	PAYE Tax Credit	Not in CR	No validation
IE	Earned Income Tax Credit	Not in CR	No validation
IT	Family Allowances	Match	Slightly over
IT	PAYE Tax Credit	Policies aggregated in CR but within range	Partial validation
IT	Self-Employed Credit	Policies aggregated in CR but within range	Partial validation
IT	80 Euro Bonus/ Fiscal Bonus	Approx. 4% under	Slightly under
LU	Employee Tax Credit	Not in CR	No validation
LU	Self-Employed Tax Credit	Not in CR	No validation
MT	In-Work Benefit	Approx. 20% under	Over
NL	Work Credit	Not in CR	No validation
NL	Income Dependent Combination Credit	Not in CR	No validation
SK	Child Tax Credit	Not in CR	No validation
SK	Employee Tax Credit (ETC)	Not in CR	No validation
ES	Working Mother Tax Credit	Nearly double	None**
ES	Working Lone Parent Tax credit	Not in CR	No validation
ES	Working Large Families Credit	Not in CR	No validation
SE	Earned Income Tax Credit (EITC)	Approx. 6% over CR	Slightly over
UK	Working Tax Credits (WTC)	Match.	Over

Notes: Validation procedure as described in main text involved the author checking her estimates of expenditure using EUROMOD against those reported in EUROMOD Country Reports (CR), including EUROMOD experts' calculations of expenditure and national expenditure data. Not all EUROMOD CR contained relevant data. Policy experts from EUROMOD were consulted over discrepancies for IE, FR, ES, UK.

Varied reasons ascribed to the discrepancies required different solutions. For example, in the case of Spain, my estimates were modified slightly. The national expert stated that the procedure I had followed to estimate expenditure was correct. Yet, they also suggested adjusting the calculation so that it excluded two regions within Spain with a different tax regime to improve the accuracy of the national expenditure estimate. For the UK and two years for a provision in France, it was not possible to thoroughly investigate unacceptable discrepancies. In these cases, the country experts' estimates, as in the relevant reports, were used instead of my own.

However, just because my estimates passed the expert test, this does not necessarily mean they are accurate estimates of expenditure on set policies, as tax-benefit models rely on input data and are not perfect accounts of expenditure. Helpfully, the EUROMOD country experts also run their own validation exercise by comparing their model estimates for entitlement to national administrative data or national expenditure statistics. This shows that EUROMOD under- or over-estimates expenditure for some tax and benefit policies. The discrepancies are usually attributed to input data, e.g. they do not capture changes in circumstances within a year, which could affect entitlement. If the EUROMOD estimate is above or under the administrative/external statistics, this is indicated in the third column of Table 4.4. As a whole the table thus summarises the cautions for interpreting the data. Even where administrative statistics and EUROMOD did not match, I continued to use the EUROMOD expenditure data for reasons of consistency and replicability. However, such discrepancies suggest a cautious reading of the comparative analysis of in-work benefit expenditure in particular is advisable.

A related note about the expenditure analysis, which is not an issue with the use of EUROMOD to estimate expenditure per se, is that the expenditure analysis only includes expenditure on earned income tax credits and in-work cash transfers. Some countries may be high spenders on other policies classified as possible in-work benefits in Chapter 3 (e.g. social security contribution reductions), but low spenders on these two provisions. This potentially becomes a problem when using expenditure data to show trends and variation and when contextualising this data, as in certain countries other approaches may be employed.

4.3.3 Historical and contemporary context

As described above, a welfare regime framework was used to structure most of the analysis to facilitate the exploration of the relevance of regimes across the different ways of comparing in-work policies (e.g. micro-institutional versus expenditure). Additional indicators of socio-economic and institutional context also feed into the analysis based on the arguments set out in the theoretical framework. The main socio-economic indicators were in-work poverty, unemployment and underemployment. These were explored because researchers regularly link the rise of in-work benefits or similar measures to these pressures and/or they are considered the main goals that governments implementing in-work benefits aim to address, as discussed in Chapter 2 and 3. The main institutional variables are collective bargaining coverage, unemployment replacement rates and trade union density, which were selected based on political economy literature associating the weakening or transformation of these institutions/ policies with (forms of) liberalisation (Thelen, 2012). The data sources and description of these indicators are detailed in Appendix C and Appendix D respectively.

4.4 Data analysis

This section describes and justifies the analysis of data for each phase of the research.

4.4.1 Mapping and in-work benefit expenditure

The ‘mapping’ of policies at two points is descriptive and does not need much explanation independently of the presentation of the findings. In brief, it starts by outlining the number of countries with or without policies, and each country’s policy sub-types. Totals and percentages are also calculated for regimes and countries to quantify cross-national variance. The totals and percentages reflect which countries had any number of policies that were classified as one of the three types. The number of policies per country are not tallied or counted, as this gives the false impression of ‘effort’ across countries. The second element of the research describes variation in expenditure on in-work benefits for the EU as a whole, which is then broken down by regime and country, and according to sub-type.

As the first cross-national time series expenditure data on in-work benefits, the data were also used to explore the relationship between expenditure and the socio-economic and institutional changes. Yet, a decision was taken not to stretch the analysis too far because of the limitations of the expenditure data dataset. For example, the data only covered two in-work benefit sub-types out of the three defined for the study. Moreover, there are other

policies that could count as in-work benefits that were not included in the study. As such, the expenditure data is better thought of as expenditure on two specific in-work benefit sub-types, not in-work benefit expenditure as a whole. The exclusion of other possible in-work benefits means the dependent variable to be modelled through statistical analysis would be skewed towards these types. Similarly, as the expenditure data is only for two sub-types of in-work benefits, it covers only 14 countries. This is below the number of countries that some argue is necessary for country-level regression analyses, e.g. at least 25 countries are needed for linear models, and 30 for logit models (Spicker, 2018, p.221). The data were not normally distributed because some countries had zero in-work benefit expenditure for some years during the time-period, e.g. Malta introduced its in-work benefit in 2015 (2007 to 2017). The combination of the distribution, the interest in country-fixed effects, and the dependent variable problem limited the possibilities for other forms of statistical analysis.

However, in order to address the aim to explore relationships between changes in expenditure over the time-period and factors that have been associated with the rise of in-work benefits in the literature, correlational analysis was carried out for in-work benefit expenditure and socio-economic and liberalisation variables. This correlational analysis was carried out at the country-level, as the theoretical framework stipulates that socio-economic pressures and related changes in political economy may have different effects depending on the country. The analysis is not immune to the problems outlined above but conducting it at the country level leads to a transparency that aids the interpretation of the data. The details of the analysis are discussed along with the results in Chapter 5.

4.4.2 State and family orientation

Following on from this, the conceptual framework is applied to analyse the varied orientation of policies towards different degrees and forms of state and family dependency relationships, focusing on 2016 only. The analysis is described throughout the chapter. Yet, limits to the data constrain the analysis. For example, the data on the levels of benefits varied across countries and the most consistently available data was on maximum levels. Although representing the top end, this analysis tells us something about how far policies can stretch to bring the state into the domain of income maintenance for (some) working households. The main point of the analysis is to examine the orientation of provisions, not their actual effects on dependency. The analysis mainly examines the orientation of provisions towards different degrees and forms of dependency within the family, including whether there is a policy focus on certain household types. Again, the data limited what was possible with this

analysis. However, the analysis pinpoints some salient differences between policies that could be followed up in the future using different methods that were beyond the scope of this study that focused mainly on descriptions of policies (e.g. model households using a tax-benefit simulator).

4.4.3 *Labour market orientation*

The final stage of the analysis systematically compares the policy features and rules within in-work benefits as indicators of the orientation of policies towards different degrees and forms of labour market dependency. More specifically, the purpose of this analysis was to compare policies considering whether they are oriented towards standard or non-standard forms of employment. This addresses an assumption in the literature that in-work benefits are primarily targeted on (and facilitate) precarious, non-standard work in de-industrialised labour markets (Rubery et al., 2018). And some definitions of in-work benefits specify that they are targeted on low paid work (Immervoll and Pearson, 2009).

Yet, as per the framework, the investigation was open to there being different objectives and logics about paid work underpinning national policies. It sought to examine the orientation of in-work benefits towards qualitative and quantitatively different forms of labour market dependency. In the first instance, the analysis compares aspects of policy design and rules that illuminate the varied orientation of policies towards different forms and degrees of labour market participation, including eligibility rules concerning work hours, earnings and employment status. It also looked at whether eligibility rules and requirements concerning the work type, hours and earnings were restricted by the recipient's spouse/partner. In the second instance, to facilitate cross-national comparison, these features were coded and quantified in order to produce a composite indicator of the orientation of policies towards standard or non-standard work.

Both parts of the analysis rest on a conceptualisation of non-standard and standard employment with respect to multiple characteristics. For example, in-work benefits with eligibility rules restricting access to recipients working up to eight hours per week indicate the policy is oriented towards a 'non-standard' employment relationship in contrast to policies whereby eligibility requires recipients to work full-time, a key characteristic of standard employment (Spasova et al., 2017). If the same policy also includes eligibility rules restricting access to the self-employed, then this would be further evidence the benefit is oriented towards 'non-standard' work. The rules restricting the earnings or work among

members of a household are coded as restricting the degree of labour market participation on an individual basis.

The description of policy rules in the first part of the analysis provide detailed insights into variation in the labour market orientation of individual policies in EUMS along multiple dimensions. In the second part of the analysis, the weighting and summing the sub-indicator scores into composite indicators provide a means of quantitatively comparing the labour market orientation of policies within countries in a way that brings together these different dimensions. Composite scores at the country and regime level (e.g. average and range of scores) therefore also provided a means for condensing a large amount of information in order to systematically compare cross-national and regime-level variation in the labour market orientation of policies. The analysis of the labour market orientation of in-work benefits therefore partly resembles and is inspired by fuzzy sets qualitative comparative analysis (fsQCA)(Ragin, 2000), on the one hand, and comparative social policy research that codes and quantifies features of policies into one composite indicator, to capture variation when comparing across a medium to high number of countries³⁰, on the other hand.

The first, fsQCA, was developed by Ragin (1987, 2000), to bridge the gap between qualitative (case-oriented approaches) and quantitative analysis (variable-oriented analysis). Researchers using fsQCA develop and apply a theoretically derived coding schema to determine case membership to ideal types (e.g. welfare regime or activation model) or “sets”, thus enabling the quantitative coding of qualitative features. They apply principles and procedures for determining cases’ membership to multiple sets in line with fuzzy logic (degrees of membership), rather than ‘simple set theory’ (y/n membership) (Lee, 2013, p.1902). Thus, fsQCA is employed to examine cases more holistically and heterogeneously than in variable-oriented research and facilitates a closer application of theoretic discourse than is often possible with variable research. Yet, it is more systematic and, some argue, reliable, than case-oriented methods, because it requires researchers to be opaque in their analysis of cases. It is also used when many countries are included in the research as it reduces the volume and complexity of data often employed in qualitative case-oriented methods (Kowalewska, 2017).

This has been applied in comparative welfare state and social policy research to assess entire welfare states’ conformity to ideal-type models. For example, Kvist (1999) examines how far Nordic welfare states resemble the Nordic model and change over time, looking at three

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different policy areas (Child and Family Support, Unemployment Measures and Welfare for the Elderly) and based on theory and in-depth knowledge, establishes the features of policies in each of these areas that represent the Nordic model (e.g. the size of the effect of family allowance on net income), and then determines a threshold for being counted as in or out of the Nordic set for each policy feature (Kvist, 2007a). He then establishes a principle for set membership for each policy area and repeats the same process for all policy areas. The total membership score to all policy areas determines membership to the Nordic set. Similarly, Kowalewska (2017), compared how ‘de-activating’ a range of policies were for lone mothers in 22 countries, leading to the identification of seven lone mother activation models.

In this thesis, fsQCA speaks to the theoretically driven interest in the varied orientation of policies towards different degrees and forms of dependence on the labour market, which it attributes to the interplay of a range of policy features and rules that concern work and earnings. Moreover, within a given country, there may be multiple provisions with varying labour market orientation, and it is possible that coding countries’ in-work policies could help to identify the extent to which countries belong to a given set concerning labour market objectives, for example.

However, unlike Kvist (1999) and Kowalewska (2017), this thesis deals with a narrower set of policies and it may be a stretch to assess whether these comprise a ‘regime’ or ‘model’ in terms of labour market orientation, which is the substantive focus of this part of the analysis. Not least because the purpose of this thesis is to better understand the dimensions of variation by exploring different aspects of policy design: it could be that all in-work policies are in fact similar, e.g. all oriented towards non-standard work. The somewhat exploratory aims of the research are at odds with the theory-driven aspects of fuzzy-set ideal type analysis. There were also significant methodological barriers in that the data available across the indicators to operationalise variation in the labour market orientation of policies, as described below, thus limiting the consistent scoring of policies that is required for such analysis. The analysis carried out here may therefore be best thought of as preliminary stages of fsQCA, which could be developed for future research using more complete data to construct more reliable indicators, and with a sounder theoretical base for deciding on the relationship between policy dimensions and set membership.

Instead, in line with Immervoll and Knotz’s (2018, p.25) analysis of activation requirements for jobseekers, following a detailed description of policy rules and design features, which were coded into sub-indicators, the simpler method of summarising these features into an

overall measure of the orientation of policies towards non-standard employment or standard employment was employed. Doing so reduces multi-dimensional variation onto one axis, but facilitates systematic comparison at the policy, country and regime level.

The sub-indicators and the weighting for the composite indicators each are outlined in Table 4.5. Sub-indicators capture various design features and rules concerning paid work. There are 16 sub-indicators in total. However, separate ‘composite’ indicators were developed (A-C) for each sub-type that are made up of slightly different sub-indicators, with 6 to 8 sub-indicators making up the composite of each indicator for each sub-type. This reflects differences in the data on rules and policy design for each sub-type of in-work benefit included in the study and, relatedly, the distinctive features common to each sub-type (EUROMOD and OECD reports).

The scoring schema for each sub-indicator is displayed in the Table 4.5. These are standardised across all sub-indicators between 0 and 1. A score of 1 indicates the policy is oriented towards non-standard work (in terms of earnings and non-standard employment types) and scores closer to zero suggest that policies are oriented towards standard employment with substantial earnings. A score of 0.5 indicates no strong orientation towards either end of the spectrum.

There is overlap across the three sub-types for sub-indicators 1 (employment status) and 12 (spouse earnings). The former measures policies on whether they restrict eligibility on the basis of employment status. A policy scored 1 if access is restricted to self-employment or some other kind of non-standard employment, e.g. accessory work; 0.5 if those undertaking standard and non-standard forms of work were eligible; and 0 if access to the benefit was restricted to employees only. Policies were given a score of 0 on indicator 13 if the policy is individualised with respect to work and earnings and 1 if the labour market participation of the main recipient is tied to that of the spouse (e.g. a recipient and partner could earn up to a certain level for the recipient to be eligible for the benefit). The tying together of labour market participation among members of a couple is considered one way in which policies are likely to restrict the total work done within a household.

The remaining sub-indicators were linked thematically but not measured the same way across sub-types. In-work cash transfer policies (A) received a score of 0 if minimum work requirements were akin to full-time hours (33 hours/ 5 days of work per week); 0.25 if equivalent to 4 days work per week; 0.5 if 2-3 days per week; 0.75 if 1 day per week and 1 if there were no minimum work hours. The latter scored the highest as it indicates no

emphasis within the policy to incentivise a particular minimum degree of labour market participation. Sub-indicator (6) captures the point at which the benefit is withdrawn as earnings increase over a certain level of earnings, with higher withdrawal rates receiving higher scores. Phasing in (sub-indicator 7) means the benefit increases as earnings increase (until a certain level typically) yet this was a binary indicator due to lack of detail in the data. Similarly, there is also a binary indicator for the minimum level of earnings to be eligible for the benefit (0 = yes, 1 = no).

Eligibility to in-work cash transfers is typically based on means tests and household characteristics. Nevertheless, sub-indicator (10) is a 'rough' guide to the amount of earnings eligible households can receive while remaining eligible, with 0 indicating benefits could be received by households with earnings over the average wage and 1 for those where it could not. For some policies, this depended on household type (e.g. number of children) – and policies where this is the case scored 0.5. In addition to spouse earnings (12), a spouse hours indicator (13), captures any rules that mean couples can jointly make up eligibility requirements for work hours, which could effectively limit the participation of either earner.

Adjusted unemployment benefits (B) were compared on the basis of whether there are restrictions based on work hours (3) limiting the hours or days per week, months or year recipients can work while receiving unemployment benefits. Rules were calculated into weekly amounts. The most restrictive being 1-8 hours or 1 day per week (scoring 1) - to those with no restrictions on hours or days of work (scored as 0), as well as values of 0.25, 0.5 and 0.75 for amounts in between. The disregard sub-indicator (5) captures the amount of earnings from work that are not counted in calculations of entitlement or eligibility, where a larger disregard indicates the policy is oriented towards combining more earnings with receipt of the benefit. Values given in local currency were calculated as a percentage of the average wage for that country and year (OECD, 2019c).

Unfortunately, not all countries' earnings disregards were defined in units of national currency. Some were defined as a percentage of the benefit the recipient is entitled to, or as a percentage of reference earnings (e.g. the wage level in the previous job). The proportion of reference earnings were treated the same as the proportion of average wage values. Average wages may be higher or lower than reference earnings, and thus requiring cautious interpretation of the results for these countries.

Table 4.5: The orientation of in-work policies towards non-standard work: Sub and Composite Indicators Overview

Composite indicators									
(A) In-work cash transfers				(B) Adjusted unemployment benefits			(C) Earned income tax credits		
Sub-indicator	Description	Score	Weight	Description	Score	Weight	Sub-indicator	Score	Weight
1. Employment status	Employees only	0	1	Employees only	0	1	Employees only	0	1
	No restrictions	0.5		No restrictions	0.5		No restrictions	0.5	
	Self-employed/ other only	1		Self-employed/ other only	1		Self-employed/ other only	1	
2. Work hours minimum	33+ hours/5+ days	0	1						
	25-32 hrs/ 4 days	0.25							
	9-24 hrs/2-3 days	0.5							
	1-8hrs/ 1 day	0.75							
	No minimum	1							
3. Work hours maximum				No restrictions	0	1			
				33+ hours/5+ days	0.25				
				25-32 hrs/ 4 days	0.5				
					0.75				
				9-24 hrs/2-3 days					
4. Work hours eligibility				1-8hrs/ 1 day	1				
							Yes	0	0.25
5. Earnings disregard							No	1	
				Earnings do not affect benefit	0	1			
				≥21+% AW/ RE	0.25				
				≤20% AW/ RE	0.5				
				≤10% AW/ RE	0.75				
				No disregard	1				

(continued)

Table 4.5 (continued)

	Not phased out	0		Benefit not withdrawn with earnings	0	1	
6. Withdrawal rate/ phase out rate	≤25%	0.25		≤50%	0.25		
	26- 50%	0.5	1	51 – 74%	0.5		
	51 - 75%	0.75		75 – 99%	0.75		
	76-100%	1		100%	1		
7. Phase in	Yes	0	0.25				
	No	1					
8. Earnings min	Yes	0	0.25				Yes 0 0.25
	No	1					No 1
9. Earnings max							No max 0 1
							> 200% AW 0.2
							151 - 200% AW 0.4
							101 -150 % AW 0.6
							51 – 100% AW 0.8
							<50% AW 1
10. Eligibility earnings above AW	Yes	0	0.5				
	Depends	0.5					
	No	1					
11. Earnings when phase out begins							No phase out 0 1
							>112.5% AW 0.25
							75% AW – 112.5% AW 0.5
							37.5%AW – 74% AW 0.75
							<37.5% AW 1
12. Spouse earnings	No	0	1	No	0	1	No 0 1
	Yes	1		Yes	1		Yes 1
13. Spouse hours	No	0	1				
	Yes	1					
N sub-indicators		8			6		6

The withdrawal rate sub-indicator (6) is based on the rate at which the benefit is withdrawn as earned income increases, with higher scores for steeper withdrawal rates and lower scores for more gradual rates. A score of zero indicates earnings do not affect entitlement to the unemployment benefit. For policies with earnings disregards, the withdrawal rate is the rate at which the benefit is withdrawn when earnings are above the disregard.

Sub-indicator (10), earnings max, compares the limits on the amount of earnings that can be combined with unemployment benefit receipt. Policies scored 0 if there was no max, 0.25 if earnings could be received that were over 100% of average wage or the reference wage, 0.5 if between 75 and 100%; 0.75 if between 26 to 75%; and 1 if maximum earnings were equal to or below 25% of average wage or reference wage.

The data for earned income tax credits (C) meant policies were compared using a binary indicator of minimum work hours (4) and earnings (8) requirements, whereby policies with minimum work hours/ earnings requirements scored 0 and those without scored 1. Yet, these indicators are less logical for earned income tax credits than for other similar rules in the other sub-types, as eligibility for tax credits could automatically ‘kick in’ at a certain level of earnings as a default part of countries’ tax systems. It was not possible to identify whether or not this was the case for some countries. Data were richer for maximum earnings (9), the range of which was much broader than for in-work cash transfers and adjusted unemployment benefits, as reflected in the scores. For example, policies scored 1 if the maximum earnings threshold was less than 50% of average wage (compared to 25% of AW for adjusted unemployment benefits). It was also possible to calculate the level of earnings at which the benefit starts to be phased out, sub-indicator (11), for most countries.

The relative weighting of the sub-indicators for the calculation of the composite indicators are also shown in the table. The numerical weights used for the calculation of composite are in Appendix C. Weights are determined by the theoretical importance of the feature in restricting or enabling certain levels or kinds of labour market participation and the quality of the data available. The former is discussed below. On the latter, the data for some policies meant that the only consistent measure of a particular policy feature was binary. For example, the ‘phase in’ sub-indicator (7) is a binary indicator and will therefore mask differences between countries in the rate of the phase-in; as such, it was weighted at the equivalent of 25% in the calculation of the composite indicator.

Each policy received a score for the composite indicator by multiplying the scores sub-indicators by weights, which were then summed. The score for each policy on the composite indicator is therefore also always a value between 0 and 1. In the case of missing data, the formula was adjusted so that observed values were given greater weight in the overall indicator, proportionate to their theorised importance.

The formula for calculating all three composite indicators is thus as follows:

$$X = \sum_{i=1}^n \omega_i x_i$$

Where n is the number of valid sub-indicators, ω is the specified weight for each sub-indicator and x is the value of the sub-indicator.

The composite indicators provide a means of quantitatively comparing policies, countries and regimes. The theoretical interpretation of each composite indicator is therefore broadly the same: higher scores indicate policies are oriented towards very marginal work (in terms of earnings and non-standard employment types) and scores closer to zero suggests policies are oriented towards standard employment and more substantial earnings. However, actual scores are not comparable across sub-type. For example, an earned income tax credit policy with a score of 1 cannot be read as having the same labour market orientation as an adjusted unemployment benefit with a score of 1 because, as we saw above.

The analysis is contextualised further using existing indicators of labour market context at the regime level, described in Chapter 8: rate of temporary employment, self-employment and part-time employment. The measures provide an indication of the extent of marginal/non-standard work across welfare regimes. The results of the analysis of the labour market orientation of policies are displayed alongside these indicators to gauge whether policies are oriented towards those undertaking more marginal work, and, then, whether marginal workers represent a relatively large or minor group in the labour market for each regime.

As with the rest of the investigation, the aim of the analysis is to describe policy variation and interpret this, with regards to the *orientation* of policies towards different forms and degrees of dependence on the labour market for recipient individuals or households. How and to what extent recipients participate in the labour market is likely to depend on more than policy design and rules, including how these statutory rules are enforced and applied in practice. There are also myriad factors beyond in-work benefit policies, which shape citizens

actual labour market participation, including the wider policy framework and labour market context. This analysis of the orientation of EUMS' in-work benefits towards marginal/ non-marginal labour market participation is intended, therefore, to serve as one part of a complex and multi-faceted set of policies influencing citizens' forms and degrees of dependence on the labour market that has thus far not been examined in a comparative perspective. It is intended to supplement and nuance existing comparative research on labour market and social policy institutions.

4.5 The challenges and lessons learned from conducting cross-national comparative research on in-work benefits

There are many challenges involved in conducting cross-national research into in-work benefits, an inconsistently defined and under-researched area of social policy. The process of conducting the research thus led to several insights that could be useful for future research on in-work benefits and aid the interpretation of the investigation presented in this thesis. These are partly discussed above, but are summarised, elaborated and brought together in this section. There is a focus on the research process, the decisions made by the researcher and the tensions involved, all which shaped the research presented in this thesis.

Many of the challenges for this research stemmed from the conceptualisation and operationalisation of in-work benefits per se, as well as the operation and conceptualisation of the dependency relationships aspect of the framework for analysing the salient aspects variation of in-work benefits. First and foremost, this applied to the conceptual development and then operationalisation of 'in-work benefits' and 'possible in-work benefits' categories as set out in the previous chapter. As outlined in chapter 2, there was no clear precedent to follow in terms of conceptualising and identifying relevant in-work benefit policies: different research aims and epistemologies appear to be behind different conceptualisations of in-work benefits, leading researchers to include or exclude and even label policies differently, in existing national case studies and the grey, comparative literature. Other approaches also included in-work benefits in studies of broader policy developments. Yet these did not have to grapple with the specifics of identifying instruments because they comprised aggregate analysis combining multiple policies to look at outcomes (Marchal and Marx, 2018), or in-work benefits were part of a wider set of provisions examined (Bonoli, 2010).

Indeed, for this study, the conceptual framework presented in Chapter 3 was developed and refined throughout the research process following an iterative approach. Knowing which

provisions to include and exclude, on account of both theoretical and practical considerations, remained at the forefront of my mind throughout the research process. Not least because it was one of the aspects of my work that drew the most interest from other researchers. For example, when presenting my research at academic conferences and workshops at different phases in the research process, defining in-work benefits was one of the main aspects of my research that I received questions (and comments) on. In particular, researchers situated in the ‘evaluative paradigm’ were keen for me to expand my research focus to all benefit policies received by working households, including child benefits and housing benefits, as for them the important question concerned the entire suite of policies received by working households and the effects of these policies (e.g. poverty reduction), and not the evolution of and variation in a specific, novel area of policy, as was the focus in this research. On the other hand, case-oriented researchers suggested that I focus on one or two cases to understand how policies function and/or are interpreted within national context as a means of defining and identifying relevant policies.

There is some coherence with the request from the evaluative researchers for a wider focus on all tax-benefits and the focus on state dependency in the framework informing the thesis, in that the provisions some researchers recommended also constitute forms of state dependency for working households. However, it was theorised that the distinctiveness of in-work benefits was that they constitute a novel form of state dependence in the form of income maintenance that was close to wages. Originally, I considered including only provisions with explicit in-work targeting i.e. policies that could only be received by working households. Yet, given the apparent “evolution” of in-work benefits in the notable cases of Germany’s ALGII and the UK’s Universal Credit, and the publication of research on these provisions over the period of the research, led me to eventually decide to relax this criterion and include a subset of ‘possible in-work benefits’ allowing me to examine whether other countries have forms of part-time/adjusted unemployment benefits and merged in- and out-of-work benefits. The explicit targeting criterion, it was decided, would then become a dimension of variation to be examined through comparative research. Similar tensions surrounded non-refundable tax credits. Again, my decision to include them was inspired by the significance of these provisions in certain contexts, whereby they were considered a version of archetypal in-work benefits, as opposed to something different (e.g. Sweden’s EITC).

In addition, I also considered policies targeting in-work households that appeared to be less like traditional income maintenance, e.g. social security contribution reductions and non-refundable earned income tax credits. These policies were also classified as ‘possible’ in-work benefits. The decision to examine non-refundable earned income tax credits and not social security contribution reductions or exemptions was in part motivated by the variation in description of these systems in the policy sources, many of which were highly complex, and hard to interpret without a degree of expertise about national systems. Although taxation systems are not necessarily any simpler to research in practice, earned income tax credits were more likely to be described as a standalone policy in the main sources, instead of being ‘buried’ within complex descriptions of entire systems, as was the case of social security contribution reductions.

Similarly, while there are clearly merits to defining in-work benefits on a case by case or contextual basis, the main motivation of this study was to assess claims about wider trends towards this novel area of policy development. Because of the challenges involved in doing this research, including the generation and collection of data, the scope for including case studies became more limited as the study progressed. That being said, alongside my thesis, I conducted research into public attitudes into the UK’s in-work benefits, which ended up being used for a separate project, and liaised with researchers who were familiar with or had themselves looked at in-work benefits in the French, German and Finnish in-work benefits, thus I developed knowledge of in-work benefits in specific contexts independently of the research presented in this thesis, which undoubtedly informed my thinking.

Nevertheless, the research presented in this thesis is not at odds with case-study research into in-work benefits, and it could serve as a key reference point for contextualising cases cross-nationally and temporally. On the flip side, cases could also speak to this research by probing the reliability and validity of the conceptual framework for defining and comparing in-work benefits, and the ideal-type frameworks and indicators of context used to contextualise the broad-brush findings in this study.

Moreover, decisions about the scope and focus of the project were also based on the data available. I conducted a review of relevant data sources and ‘piloted’ a mapping of in-work policies. This process was a “rude awakening” but also a key motivating factor behind the aim and scope of the research. Through this process I found there were no readily available cross-national data available on in-work benefit expenditure and that there was some

variation in the classification of policies across standardised descriptions of tax-benefit systems, reflecting inconsistencies in reporting practices and in the labelling of policies. Indeed, it may be because of the data limitations that cross-national comparative research on in-work benefits is relatively limited.

These challenges, however, were seen as appropriate to grapple with within the space and focus afforded to PhD research, but they meant that the research did not cover as much ground as I had initially thought it would. As described above, several procedures were followed to ‘overcome’ these challenges and boost the reliability of the research, e.g. the use of the transparent inclusion and exclusion criteria, a systematic process of searching country reports, and the use of two sets of country reports to validate data. Moreover, as data were available for all EUMS across two sets of descriptions of tax-benefit systems, all EUMS were included for a large and as diverse a sample as possible. Yet, this also made conducting a ‘simple’ mapping of policies a time-consuming process. Originally, the intention was to map policies over regular time points for a more fine-grained account of trends and variation. Instead, this was reduced to two time points once the scale of the task was realised.

At the same time, the process of reviewing the data also alerted me to opportunities in mapping in-work benefit trends and variation with respect to including possible in-work benefits. Chiefly this was based on the realisation that descriptions of unemployment benefits (and some other income maintenance policies) in the OECD country reports followed a template that specifically asked the experts completing the reports to describe whether unemployment benefits can be received alongside earnings and/ or participation in paid work and the rules surrounding this. Hence it was possible to compare these provisions systematically looking at the amount and kinds of paid work that countries’ unemployment benefits were oriented towards, which could then inform decisions about whether such provisions can be considered in-work benefits.

Another related point is that it was not until part way through the second year of the research process that I found I could use EUROMOD, the tax-benefit simulator, to generate expenditure data for ‘hand-picked’. The common use of tax-benefit models is, as the name suggests, to model policies and examine outcomes. The cost of policies to governments sometimes features as part of this analysis. But rarely are tax-benefit models used to as a means of comparing policy expenditures on a specific area of policy across countries in studies aligning with the more sociological and political economy perspective as is the case

for this thesis. Studies usually rely on the ‘ready-made’ cross-national comparative datasets, e.g. OECD Social Expenditure. After being informed by a colleague that this would be possible and consulting the developers of EUROMOD, I attended EUROMOD training. There was then a period of applying for access to the relevant microdata that feed into the model. Thus, the analysis was not carried out until the third year of the research process.

The use of EUROMOD to estimate expenditure like other parts of the research process involved considerable manual work on the part of the researcher in terms of identifying relevant policies and generating the expenditure estimates for individual provisions for each country and year, and then aggregating these by sub-type and year. Yet it allowed a level of control over the instruments used in the analysis. This was a problem with aggregate data on policy categories defined, for example, by the OECD, given the issues with defining and identifying relevant policies. There was also some scope for validating the data using available documentary resources and through consultation with national experts for some countries where the validation with the documents produced inconsistencies. Yet, for nearly half the countries, validation exercise was not carried out because documents were not available and there was not time within the study to contact all of the experts. Again, this relates to the timing of the analysis and the scope of the research project.

There were also challenges in operationalising the dependency relationships framework for comparing the salient features of in-work benefit policies across countries. While the framework was intended to ‘simplify’ the complex notion of dependency on the labour market, state and the family, for cross-national comparison of policy design features and rules, inconsistencies in the information and descriptions of policy design and rules in the data meant that aspects of the analysis were ‘patchy’. In part, this relates to the different terminology used to describe policy features. Collecting and coding this data was also a manual process and thus time consuming. Again, I made use of both the main policy sources but also referred to some additional sources to corroborate the data. Furthermore, as a result of this complexity, and the patchwork data for other aspects of the framework, meant there was a need to find ‘pragmatic’ solutions to operationalise the conceptual framework. One of these was focusing the analysis of orientation on one-year, 2016. Thus, the study does not shine light on change over time in the variation of policies through this lens.

Model family analysis was also considered as a means of comparing policies, namely the proportion of net incomes from in work benefits for different household types, and the

overlapping family dependency relationships aspect of the framework (Marchal and Marx, 2018). This was ruled out in the early part of the research after I found the in-work benefit category in the OECD's tax-benefit simulator did not align with the definition outlined above. Had I undertaken training in EUROMOD earlier in the research process, I would have realised that it was possible to create my own category of in-work benefit policy in the model. But given the timing of this part of the research, it was not feasible within the scope of the study to conduct such analysis by isolating out the policies I had identified as in-work benefits in the model. Future work could consider ways to operationalise this framework using model families and tax-benefit simulators.

In sum, as is almost inevitable when conducting research on relatively unknown terrain in terms of policy area but also data, many lessons were learned during the research process. Had I had known what I know now at the start of the research process, the research would have probably looked different. I set out suggestions for future research based on my experience in Chapter 9. Yet, the insights into research process and methodology set out here also serve as a form of knowledge on in-work benefits, which may give researchers a better vantage point for future research in terms of the tools and data available to examine the policy from multiple angles for broad comparative research, in addition to the substantive content presented in the subsequent chapters.

4.6 Conclusion

This chapter outlined the research questions, aims and reasoning. It then described the study design and situated the methodology with reference to cross-national comparative welfare state and social research more widely. The focus on EUMS from 2007 and 2017 was justified on practical and theoretical grounds and the trade-offs outlined. A main requirement to address the research aims was the inclusion of a range of countries and a time frame that were broad enough to situate in-work benefits within the context of change and continuity across those capitalist advanced democratic countries for which there were multiple data sources available.

The next parts of the chapter described the construction of the EU-IWB dataset and the operationalisation of key variables for the analysis and then outlined some of the details of the analysis that aid the interpretation of the empirical chapters. The collection and generation of data for these purposes was, as outlined, a time-intensive endeavour, drawing

upon multiple sources for collection, data triangulation and consultations about validity and reliability. It enabled a cross-national systematic analysis of in-work benefits over time from a range of angles using a theoretically informed conceptual framework to better understand whether, how and to what extent in-work benefits vary across EUMS.

In particular, the expenditure analysis constitutes the most expansive analysis of in-work benefit expenditure to date, due to a lack of existing comparative data. While the expenditure analysis should be interpreted with caution because of the limitations described above, it marks a significant step forward in starting to understand the extent of variation in in-work benefits across EUMS and how this relates to changes in socio-economic and institutional context, specifically the liberalisation of countries' political economy institutions and the socio-economic pressures associated with deindustrialisation.

Moreover, combining this with the analysis of the orientation of policies towards different kinds and forms of dependency relationships and the use of a welfare regime framework means the research moves towards a richer interpretation of policy variation with respect to social, political, economic and cultural dynamics that shape and are shaped by in-work benefits, both historically and in recent decades. There are many challenges involved in conducting cross-national research into variation in an inconsistently defined and under-researched policy relating to the standardisation and availability of data, that also limit the types of analysis possible. I reflected upon these and the methodological lessons learned through doing the research in the final part of the chapter.

5 TRENDS AND VARIATION IN IN-WORK BENEFITS IN EU MEMBER STATES 2006 TO 2017

This chapter aims to paint a broad picture of trends and variation in in-work benefits in EUMS. It presents the findings from two main aspects of the empirical investigation. The first is the preliminary mapping of in-work benefits, tentatively defined, in EUMS for 2008 and 2016. This systematic search of EUMS' tax benefit systems at the point of the financial crisis and just under a decade later capture variation in the prevalence and form of in-work benefits in EUMS as well as changes over time. The mapping covers both the archetypal in-work benefits (in-work cash transfers and refundable earned income tax credits) as well as two possible in-work benefits (non-refundable tax credits and adjusted unemployment benefits).

The empirical analysis of expenditure on in-work benefits is also presented in this chapter. At the time of conducting the research, there were no cross-national time series data on in-work benefits. This chapter therefore presents time-series data generated specifically for this thesis, using a tax-benefit simulator (EUROMOD) to estimate the total costs of awards per year, as described in full in Chapter 4 (Section 4.3). Temporally, the analysis is more extensive and intensive than the mapping, showing changes in expenditure annually from 2006 to 2017. However, the policy scope is narrower, as expenditure for adjusted unemployment could not be estimated using this method.

The chapter also contextualises cross-national and temporal variation with reference to historical and contemporary context. The ideal-type frameworks presented in Chapter 3, namely welfare regimes, are used to structure the presentation and interpretation of the findings, facilitating exploration of the relevance of policy legacies and similarities and differences between groups of countries, in terms of the presence, form and expenditure on the different in-work policy types covered in this analysis. I also contextualise findings with reference to the socio-economic factors that are commonly assumed to drive in-work benefit reform (in-work poverty, unemployment and underemployment). The systematic and comparative time-series and the snapshot data on in-work benefits generated for this thesis are also employed to explore the possible relationship between in-work benefits and changes in unemployment replacement rates, trade union density, and collective bargaining coverage, as key indicators of processes associated with liberalisation and recommodification.

Both parts of the investigation presented in the chapter address the first research question and sub-questions:

- 1) What is the nature and extent of variation in in-work benefits in EUMS?
 - a. Have in-work benefits become more commonplace in recent years?
 - b. How common are archetypal in-work benefit policies associated with liberal regimes?

Throughout the chapter, the policies analysed in the investigation are referred to collectively as ‘in-work benefits’, ‘in-work provisions’, or ‘in-work policies’. However, most parts of the analysis also break down the findings according to sub-type to examine variation in the provisions used.

The findings are contextualised with reference to contemporary and historical institutional factors and socio-economic factors in order to examine the final research question:

- 3) How does variation in EUMS’ in-work benefits policies map on to historical and contemporary context?

The chapter is structured as follows: First, the systematic (preliminary) mapping of in-work benefits in EUMS in 2008 and 2016 is presented in Section 5.1. Section 5.2 adds to the picture of snapshot variation in the use and form of in-work benefits in EUMS by comparing expenditure on two broad sub-types of in-work benefits: earned income tax credits and in-work cash transfers. It begins by describing trends at the EU level and then focuses on cross-national variation. Section 5.3 contextualises these findings with respect to socio-economic and institutional factors.

5.1 Mapping in-work benefits in EUMS (2008 and 2016)

The findings presented in this first section show the results of the preliminary mapping of the three in-work benefit sub-types across all EUMS for 2008 and 2016, followed by a cross-national and welfare regime level comparison. For the initial mapping, refundable and non-refundable earned tax credits were grouped into one sub-type: earned income tax credits.³¹

5.1.1 The prevalence of in-work benefits in EUMS

The initial mapping of in-work benefits found that the majority of EUMS had in place at least one of the in-work benefit provisions listed above at both time points. Table 5.1

³¹ A full list of in-work cash transfer policies identified in the mapping is provided in Appendix F; the list of earned income tax credits is in Appendix G. Adjusted unemployment benefit policies are listed in Chapter 6 (Section 6.1.3)

summarises the mapping, including a breakdown of the number of countries with each in-work benefit by sub-type for 2008 and 2016. The mapping identified in-work provisions in 17 out of 27³² (63%) EUMS in 2008, and in 20 out of 28 (71%) EUMS in 2016, indicating these policies were commonplace at the time of the 2007-08 financial crisis, becoming only marginally more prevalent in 2016 (+3 EUMS).

The breakdown of sub-types indicates that adjusted unemployment benefits and earned income tax credits make up the bulk of the headline findings. Just over half of EUMS had adjusted unemployment benefits in place in 2008, increasing to 61% for 2016 (n=17). Earned

Table 5.1: Overview of in-work benefits in EU member states by sub- type 2008 and 2016

	EUMS N	Proportion of EUMS	Proportion of EUMS with IWB
2008			
Countries with in-work benefits	17	63%	100%
In-work cash transfers	3	11%	18%
Earned income tax credits	12	44%	71%
Adjusted unemployment benefits	14	52%	82%
2016			
Countries with in-work benefits	20	71%	100%
In-work cash transfers	5	18%	25%
Earned income tax credits	12	43%	60%
Adjusted unemployment benefits	17	61%	85%

Sources: EU-IWB dataset based on policies identified in OECD Tax Benefit Country Reports 2008 & 2016; EUROMOD Country Reports 2007-2009, 2014 – 2017; and MISSOC comparative tables (unemployment benefits, 2008 and 2016). All findings presented hereon use these sources.

income tax credits were found in 44% of EUMS in 2008 and 43% of EUMS for 2016. Strikingly, in-work cash transfers – one of the archetypal liberal in-work benefits – were used in only a small number of countries: 11% (n=3) and 18% (n=5) of EUMS for 2008 and 2016, respectively.

The number of countries with adjusted unemployment benefit increased from 14 EUMS in 2008 to 17 EUMS in 2016. Although being the least common form of in-work provision, the number of EUMS with in-work cash transfers also increased from 11% in 2008 to 18% in 2016. The number of EUMS with earned income tax credits remained the same at each time point.

³² Croatia joined the European Union as the 28th Member State in 2013.

5.1.2 Cross-national and regime variation in in-work benefit policies

Given the prevalence of in-work benefits in EUMS, it is unsurprising provisions were spread across countries and all four welfare regimes, plus CEE countries, for both time points. In 2008, at least one of the three broad in-work benefit sub-types were identified for the following countries: Ireland, UK, Finland Sweden, Denmark, Austria, Belgium, France, Luxembourg, Netherlands, Germany, Italy, Spain, Portugal, Greece, Hungary and Slovakia. For 2016, all of the same countries bar Hungary had in-work benefits. Additionally, policies were identified in Estonia, Slovenia and Malta. On the flipside, earned income tax credits, adjustable unemployment benefits and in-work cash transfers were not identified in Cyprus, Bulgaria, Czechia, Latvia, Lithuania, Poland and Romania for both time points. And were not in the following countries for one of the two time points: Malta (2008 only), Estonia (2008 only), Hungary (2016 only).

However, the dispersion of in-work benefits across EUMS is not even, and regional variation appears to be more salient in terms of the countries with or without in-work benefit provisions than welfare regimes. This is illuminated in Table 5.2, which shows EUMS with and without in-work benefits and a breakdown by sub-types for both years. The table also organises countries according to four welfare regimes: Liberal, Bismarckian, Nordic, and Southern (Esping-Andersen, 1990; Ferrera, 1996). And, as per the framework outlined in Chapter 3, I treat the Central and Eastern European countries (CEE) as a regime.

The findings presented in the table show that the in-work benefits mapped in this study were in place in all Liberal, Nordic and Bismarckian regimes at both time points. In contrast, two-thirds of the Southern regime countries had in-work benefits in 2008 ($n=4$, 67%); but this increased to 87% of Southern for 2016. Malta did not have in-work benefits in 2008, but it did by 2016. Cyprus was an outlier as the only country with no in-work benefits for both time points. In even starker contrast, in-work benefits were identified in just a fifth of CEE countries for 2008. Yet, like the Southern regime countries, there was an increase in the proportion of CEE countries with in-work benefits by 2016. Slovenia and Estonia did not have in-work benefits in 2008 but both had in-work benefits in 2016. Croatia was not part of the EU in 2008, but in-work benefits were identified in 2016. Slovakia is the exception as the only CEE country with in-work benefits in both 2008 and 2016. Finally, Hungary is the only EUMS where in-work benefits were present in 2008 but not in 2016.

Table 5.2: In-work benefits in EU27/28 at 2008 and 2016

Regime	Country	Policies identified		In-work cash transfers		Earned income tax credits		Adjusted unemployment benefits	
		Years: 2008	2016	2008	2016	2008	2016	2008	2016
Liberal	Ireland	✓	✓	✓	✓	✓	✓	✓	✓
	UK	✓	✓	✓	✓			✓	✓
Regime Total (%)		2 (100%)	2 (100%)	2 (100%)	2 (100%)	1 (50%)	1 (50%)	2 (100%)	2 (100%)
Nordic	Finland	✓	✓			✓	✓	✓	✓
	Sweden	✓	✓			✓	✓	✓	✓
	Denmark	✓	✓			✓	✓	✓	✓
Regime Total (%)		3 (100%)	3 (100%)	0	0	3 (100%)	3 (100%)	3 (100%)	3 (100%)
Bismar-ckian	Austria	✓	✓			✓	✓	✓	✓
	Belgium	✓	✓			✓	✓	✓	✓
	France	✓	✓		✓	✓		✓	✓
	Luxembourg	✓	✓				✓	✓	✓
	Netherlands	✓	✓			✓	✓	✓	✓
	Germany	✓	✓					✓	✓
Regime Total (%)		6 (100%)	6 (100%)	0	1 (17%)	4 (67%)	4 (67%)	6 (100%)	6 (100%)
Southern	Italy	✓	✓	✓	✓	✓	✓		
	Malta		✓		✓				✓
	Spain	✓	✓			✓	✓	✓	✓
	Portugal	✓	✓					✓	✓
	Greece	✓	✓					✓	✓
	Cyprus								
Regime Totals (%)		4 (67%)	5 (83%)	1 (17%)	2 (33%)	2 (33%)	2 (33%)	3 (50%)	4 (67%)
Central and Eastern	Bulgaria								
	Croatia	na	✓	na		na		na	✓
	Czechia								
	Estonia		✓				✓		
	Hungary	✓				✓			
	Latvia								
	Lithuania								
	Poland								
	Romania								
	Slovakia	✓	✓			✓	✓		
	Slovenia		✓						✓
Regime Total (%)		2 (20%)	4 (36%)	0	0	2 (20%)	2 (18%)	0	2 (18%)

Sources: See table 5.1

The ubiquity of in-work benefits across the regime types in 2016, aside from Cyprus and most CEE countries, suggests that their prevalence relates to how advanced a welfare state is rather than the distinct policy legacies of different regimes. However, there is *some* indication of regime clustering when comparing the combinations of in-work benefit sub-types.

There is the clearest congruence among the three Nordic countries included in the study (Sweden, Denmark, and Finland), which are identical in the sub-types and combination of policies found for both time-points: earned income tax credits with adjusted unemployment benefits. No Nordic country had in-work cash transfers in either period. This combination, however, was also found for four out of six Bismarckian regime countries: Austria, Belgium, Luxembourg and the Netherlands. The earned income tax credits identified in the Nordic countries and the Netherlands, however, were non-refundable (Table 5.3), whereas those in the Bismarckian countries were refundable.

Table 5.3: Countries with refundable and non-refundable earned income tax credits

Refundable	Non-refundable
2008: AT, BE, FR, SK	2008: IE, DK, FI, IT, NL, SE
2016: AT, BE, LU, IT, ES, SK	2016: IE, NL, DK, FI, SE, IT, EE

Sources: See Table 5.1

The other two Bismarckian regime countries had a different combination of policies: Germany was the only Bismarckian country with only adjusted unemployment benefits in place, while France's combination of sub-types changed across the two time points. In 2008, it also had a refundable earned income tax credit but no in-work cash transfer policy. In 2016, the reverse was true. France therefore also stands out as a dynamic case in terms of the changing use of sub-types over time.

Both Liberal countries (UK and Ireland) had in-work cash transfers, which were rare elsewhere, supporting the idea that such policies are archetypal liberal benefits. However, adjusted unemployment benefits were also identified for these countries. Whether these provisions constitute 'de facto' in-work benefits in national contexts is therefore important for our understanding of what constitutes liberal in-work benefits. Ireland also was unique

in some respects to all other EUMS in that it also had earned income tax credits (non-refundable), making it the only country where all three sub-types were identified in either 2008 or 2016.

There was no clear pattern in combinations of sub-types among Southern regime countries. Adjusted unemployment benefits were the most common sub-type (as they were overall). However, Portugal only had adjusted unemployment benefits, Spain combined adjusted unemployment benefits with refundable earned income tax credits, while Italy combined non-refundable earned income tax credits with in-work cash transfers. Malta went from having no in-work benefits in 2008 to a combination of adjusted unemployment benefits and in-work cash transfers in 2016.

Finally, of the CEE countries that had in-work benefits, all had only one sub-type, but they were not uniform. In 2008, when only Slovakia and Hungary had in-work benefits, these were both earned income tax credits. Yet, by 2016, earned income tax credits and adjusted unemployment benefits were equally common. Estonia introduced a non-refundable earned income tax credit policy by 2016 alongside Slovakia, while Croatia and Slovenia had adjusted unemployment benefits. Hungary eliminated its Employment Tax Credit in 2008. However, linking these countries is the finding that none of the CEE countries had in-work cash transfers in either period.

It is however striking that adjusted unemployment benefits, a ‘tentative’ form of in-work benefit, were the most common sub-type in every regime and in-work cash transfers, a form of archetypal in-work benefit, were rarely used. Indeed, all Liberal, Nordic and Bismarckian countries and two-thirds of the Southern countries had adjusted unemployment benefits. Thus, the other two sub-types mostly distinguished the countries that had them in place. In particular, in-work cash transfers were not evenly distributed across regimes. While both Liberal countries had in-work cash transfers, none of the Nordic and CEE countries had them, while France had become the only Bismarckian country to have an in-work cash transfer in 2016. The Southern regime had the second highest prevalence of in-work cash transfers, with Italy and Malta in 2016. This suggests that path-breaking in-work cash transfers are a minor but significant part of the development of in-work benefits in EUMS, and that in-work benefits within unemployment benefits that can be received alongside paid work possibly a form of incremental change, if they are indeed new, so may be a key part of the development of in-work benefits in EUMS that is overlooked.

However, this mapping can only give a limited picture as to the significance, form and orientation of these policies. The issues with the (sub)categorisation of in-work benefits discussed in Chapter 4 suggest that there may be anomalous or problematic cases that skew the picture given above. The main examples of this are Italy's Family Allowances (*'Assegno per il Nucleo Familiare'*) policy and the UK's Universal Credit, both of which are categorised as in-work cash transfers in this mapping but contain features that do not fully conform to archetypal models. It is therefore essential to zoom in on the policy details of in-work benefits across EUMS to further understand these provisions, which is picked up in the next chapters. In the next section, however, the examination of expenditure for two of these sub-types, earned income tax credits and in-work cash transfers, is intended to supplement the above findings on variation in the use and form of these policies across countries and over time.

5.2 Trends and variation in in-work benefit expenditure in EUMS

The previous section showed that the majority of EUMS had at least one of the three provisions included in the initial mapping exercise in both 2008 and 2016. Thus, there also appeared to be little change in the years following the financial crisis in terms of the number of countries with these policies, and only a minor change was observed in the composition of countries with these provisions. It also illuminated a divide between the more advanced and less advanced welfare states and some similarities among countries belonging to Nordic and Bismarckian regimes in the combination of sub-types. Yet, the findings do not capture variation in the levels of resources directed to in-work benefits over this time period.

This section presents the part of the empirical investigation comparing annual government expenditure on in-work benefits in EUMS from 2006 to 2017, using the dataset constructed specifically for the thesis³³. For reasons outlined in Chapter 4, the expenditure dataset includes the following 14 countries with earned income tax credits and/or in-work cash transfers: Austria, Belgium, Denmark, Estonia, France, Ireland, Italy, Luxembourg, Malta, Netherlands, Slovakia, Spain, Sweden and the UK. Earned income tax credits were identified for Finland, but it was not possible to estimate expenditure for this country and it was omitted from the analysis. Countries with only adjusted unemployment benefits (Germany, Greece and Croatia) are also excluded from the analysis. Where possible, policy reforms, as described in the main data sources, are discussed to aid the interpretation of changes in

³³ The full list of policies included in the analysis including details of missing data are in Table 4.3 (Chapter 4).

expenditure within countries, as well as limitations related to the dataset that could skew expenditure data (e.g. partial or missing data).

Annual expenditure is expressed as a proportion of gross domestic product (GDP) (Eurostat, 2019d) and as a proportion of public expenditure (Eurostat, 2019e). Measures of expenditure as a proportion of GDP are commonly used instead of national currency to compare relative expenditure across countries and over time. However, a GDP-indexed measure is inevitably sensitive to changes in the size of the economy as during economic downturns social expenditures can appear to increase (Korpi and Palme, 2003). The public expenditure measure was used to ‘sense check’ the GDP measure by capturing variation in the salience of in-work benefit expenditure relative to other public expenditures but this also has limitations (e.g. public expenditure on certain kinds of policies may decrease or increase during economic cycles). The economic context is therefore discussed throughout the analysis to aid the interpretation of the data. Indeed, the time period covered by the analysis therefore includes the period immediately before the financial crisis of 2008, the crisis itself, the subsequent recession and, for some countries at least, the recovery period.

5.2.1 Overview of in-work benefit expenditure in EUMS, 2006 - 2017

This section presents the first part of the analysis of the in-work benefit expenditure data focusing on overall trends in 14 EUMS with either of the two sub-types of in-work benefits from 2006 to 2017. The summary of the expenditure variables in Table 5.4 captures broad trends in expenditure on earned income tax credits and in-work cash transfers in EUMS over the time period covered. The table shows the number of valid observations, the average value (mean), standard deviation as an indicator of the dispersion of the data from the mean for each year, along with the minimum and maximum values expressed as either a proportion of GDP or public expenditure for each year. Countries with partial data (e.g. expenditure for one but not all policies) were counted as valid for a given year. Thus, only countries with complete missing data for a given year are counted as ‘missing’. This amounts to valid observations for 14 countries for 2007 through to 2017, and for 11 countries for 2006.

There appears to be a gradual positive trend in average in-work benefit expenditure in EU Member States from 2006 up until 2016, using these indicators. Average in-work benefit expenditure was 0.89 per cent of public expenditure, or 0.35 per cent of GDP, in 2006, increasing to over 2% of public expenditure and just under 1% of GDP in 2016. Average expenditure was marginally lower in 2017 on both indicators, but this (at least partly) reflects

partial missing data for the UK and Austria for that year. By way of comparison, average expenditure on social protection for unemployment across all EUMS in 2006 was 1.3% of GDP in both 2006 (EU27) and 2016 (EU28) (Eurostat, 2019f).

Table 5.4 Summary of two in-work benefit (IWB) expenditure variables 2006 to 2017

Year	IWB expenditure/ GDP (%)						IWB expenditure/ public expenditure (%)					
	Valid	Miss	Mean	SD	Min	Max	Valid	Miss	Mean	SD	Min	Max
2006	11	3	0.35	0.59	0	1.68	11	3	0.89	1.53	0	4.02
2007	14	0	0.59	0.73	0	2.00	14	0	1.36	1.68	0	4.27
2008	14	0	0.67	0.78	0	1.94	14	0	1.46	1.70	0	4.06
2009	14	0	0.78	0.86	0	2.12	14	0	1.54	1.69	0	4.03
2010	14	0	0.77	0.87	0	2.29	14	0	1.48	1.67	0	4.52
2011	14	0	0.76	0.86	0	2.32	14	0	1.54	1.74	0	4.63
2012	14	0	0.76	0.88	0	2.37	14	0	1.54	1.76	0	4.63
2013	14	0	0.81	0.96	0	2.51	14	0	1.64	1.88	0	4.55
2014	14	0	0.91	1.13	0	2.84	14	0	1.88	2.23	0	5.46
2015	14	0	0.91	1.14	0	2.95	14	0	1.94	2.29	0	5.41
2016	14	0	0.95	1.16	0.03	2.99	14	0	2.09	2.42	0.09	6.14
2017	14	0	0.92	1.17	0	3.09	14	0	2.08	2.49	0	6.25

Notes: ‘Miss’ number of countries with missing data per year. Authors calculations. In-work benefit data expenditure estimated for in-work cash transfer and earned income tax credits only using EUROMOD. See Chapter 4 for full details and a list of countries and policies (Table 4.3, Chapter 4). GDP data (Eurostat, 2019d). Public expenditure data (Eurostat, 2019e). Values rounded to 2 decimal places

However, the increase in average expenditure over this time period does not reflect a general increase in in-work benefit expenditure for all EUMS. Maximum in-work benefit expenditure reaches 6.25% of public expenditure by 2016, up from 4 % in 2006; or just over 3% of GDP in 2016, up from 1.7% in 2006. Minimum in-work benefit expenditure stays at zero apart from in 2016. This range is partly attributable to the fact that there is only one year of expenditure for in-work benefits in Estonia (2016) and the introduction of Malta’s in-work benefit in 2015. Variation across countries and regimes is examined further in the next section.

5.2.2 *In-work benefit expenditure in EUMS and welfare regimes*

The cross-national and temporal variation in expenditure on earned income tax credits and in-work cash transfers is examined further in this section. Figure 5.1 displays the two

expenditure measures as a proportion of public expenditure (A) and as a proportion of GDP (B). The lines are colour coded according to welfare regime: Liberal regime countries are gold; Bismarckian are blue; Nordic countries are red; Southern regime countries are green, and the CEE countries are purple. Moreover, 'x' markers on lines indicate there is partial data for that country and year³⁴.

Similar to the mapping, countries appear to be split into two main groups when looking at expenditure on these types of in-work provision across the entire period. But the grouping of countries differs to that identified above. The first group consists of five countries with expenditure on in-work benefits of 1 to 3 per cent of GDP (or over 2 per cent of public expenditure) for most years: Denmark, Sweden, Netherlands, Italy and Ireland. The second group consists of the remaining nine countries which spend under 0.5 per cent of GDP per year throughout the time period. It includes the UK, Austria, Belgium, France, Luxembourg, Spain, Malta, Estonia and Slovakia.

Similar to above, variation in EUMS' in-work expenditure over this period partly maps on to welfare regimes. The first group therefore includes both of the Nordic regime countries (it was not possible to estimate data for Finland), or, if considering the Netherlands, the social democratic regime countries (Esping-Andersen, 1990). The second group spans the Liberal, Bismarckian, Southern and CEE regimes. Although the expenditure for the CEE countries and Malta comes later in the period studied, there is not the same divide between advanced and less advanced welfare states that was identified in the previous chapter when looking at countries with in-work benefits and the levels of expenditure. Many governments, even in advanced welfare states, are relatively low spenders on in-work benefits.

Looking in more detail at trends in expenditure across these two broad groups, the high-spend group's expenditure trajectories are not uniform. First, there are different starting points among these countries. In-work benefit expenditure in the Netherlands and Ireland was already high in 2006, with both countries in-work benefits amounting to about 4 per cent of public expenditure on in-work benefits. In contrast, Denmark and Sweden had spending below 2 per cent of public expenditure in 2006/7, which increased quite markedly over the period studied, e.g. to between 4-5 per cent of public expenditure by 2014. Indeed, Sweden only introduced its earned income tax credit, *Jobbskatteavdraget* (or EITC), in 2007. Italy's low expenditure in 2006 most likely reflects missing data for two earned income tax

³⁴ See table 4.3 (Chapter 4) for full details of missing data.

credit policies. It is possible it started out at a similar point to Netherlands and Ireland rather than increasing expenditure rapidly at this point as there is no mention of expansion in the policy description data.

Across all high spend countries, there are similarities in trajectories that may relate to cyclical economic factors. Expenditure flat lines and in some cases decreases from 2009 during the recession following the 07/08 financial crisis until 2012/13 – the main ‘recovery’ period³⁵. This is followed by increased expenditure, peaking from 2012/13 onwards. This does not necessarily signify in-work benefits were retrenched over the financial crisis and subsequent recession. Decreasing demand for in-work support (e.g. as unemployment increases) and/or increased expenditure on other social provisions, such as unemployment benefits, could lower expenditure and/or these measures. This is picked up in the next section.

Sweden partly bucks the trend of the high spend group in that its expenditure on its EITC increases from 2007 to 2014 and during this time it overtakes other countries to become the highest spender. But expenditure similarly flattens between 2010 and 2013. The pattern of increasing expenditure is partly attributable to the expansion of the credit in 2008, 2009, and 2010 but could also be due to increasing demand (Liang et al., 2012).

Ireland is the only country where the trajectory of in-work benefit expenditure is noticeably different across the two measures (i.e. as a proportion of GDP and as a proportion of public expenditure). Ireland’s trajectory is distinctive in that expenditure started high and then gradually declined over the period when looking at the GDP measure, despite the introduction of an additional tax credit for the self-employed in 2016. However, Ireland’s economy grew substantially after being hit hard by the recession, mainly due to the activities of ‘multinational enterprises’ (OECD, 2018). As such, declining expenditure on in-work benefits in part reflects economic growth rather than substantially decreased expenditure in real terms.

³⁵ It is difficult to pinpoint specific dates for recovery and crisis due to different experiences across countries (Theodoropoulou, 2018).

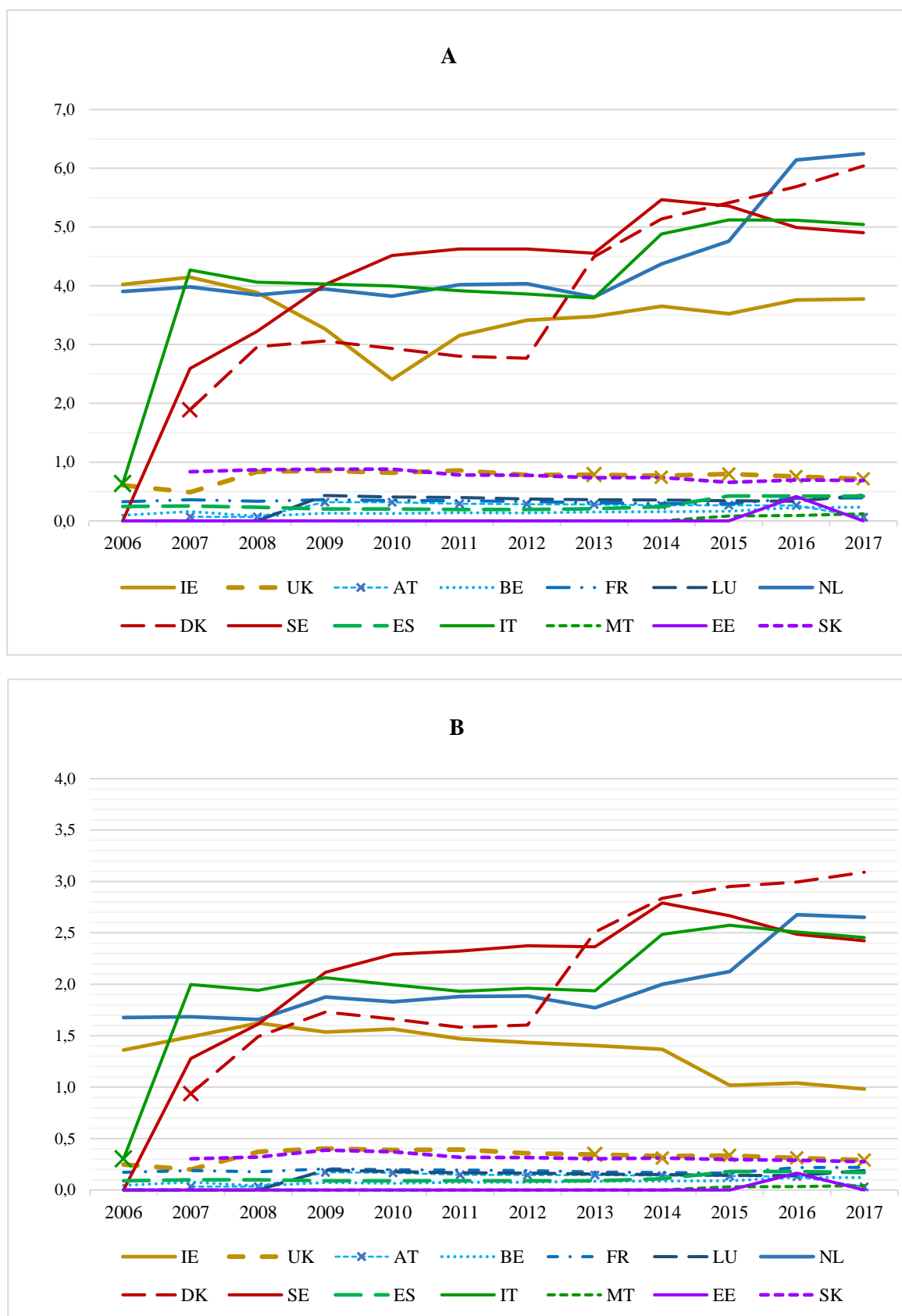


Figure 5.1 In-work benefit expenditure in EUMS, 2006 to 2017

Notes: A: In-work benefit expenditure as a percentage of public expenditure. B: in-work benefit expenditure as percentage of GDP. See Table 5.4 for details of data sources.

The absolute data for Ireland (Appendix I) shows expenditure increased 2006 – 2008 after which it declined sharply and then flat-lined until recent gradual growth from 2013 and looks more similar to the public expenditure measure. Nevertheless, Ireland still stands out from the other countries as being the lowest spender of the high spending countries from around 2009 as the other high spend countries pull away.

Most of the high spending countries increased expenditure between 2012 to 2015/ 2016. However, the most recent data highlights further variance in in-work benefit expenditure trajectories. As mentioned, Sweden's expenditure peaks in 2014, and then falls back to near 2013 levels after this point. Denmark follows a similar trajectory to Sweden in that it increased quite markedly over time. However, unlike Sweden, it fell/ flat lined between 2009 and 2012 at around 2.7 to 2.9 % of public expenditure. After 2012, Denmark's expenditure continued to increase sharply to overtake most of the others in the high spending group by 2014. Netherlands' expenditure increased in 2013 quite sharply until 2016. From 2016 to 2017 it fell as a share of GDP but increased at a slower rate as a proportion of public expenditure. Increases in Italy's expenditure from 2014 is in part likely to reflect the introduction of an additional tax credit in that year: the 'Fiscal Bonus'. However, as a proportion of GDP and public expenditure, expenditure on in-work benefits in Italy very marginally declines from 2015.

The high spending Nordic countries therefore saw the steepest increase in in-work benefit expenditure following the introduction of schemes in the early to mid-2000s. The Netherlands, Ireland and, it is assumed, Italy, were spending a considerable proportion of public expenditure on in-work benefits at the start of the time period covered. As such, in-work benefits appear to be more established in these contexts. However, in Ireland, there was a sharp drop in expenditure during the time of the recession, but expenditure (as a proportion of public expenditure) has gradually increased over time. Even still, there is a sizeable gap between Ireland and the other high spend countries.

The Netherlands and Denmark saw increasing in-work benefit effort in the later years covered by the data, whereas expenditure appeared to stagnate in Sweden and Italy. In Sweden, a phase out was introduced in 2016 for those with earnings above approximately SEK600000 per year for the EITC. Although 2016 was also the first year Netherlands' Work Credit could not be received by higher earners as it is phased out completely when earnings

reach €111,590, the level of a provision in the Netherlands ('Income Related Combination Credit') was increased in 2014, which could be behind the increase in expenditure.

Figure 5.2 presents the data for the lower spending countries only, using the GDP measure. It illuminates further variation among the lower spending countries and some evidence of regime clustering. First, the UK and Slovakia stand out as higher spenders (among the lower-spending group). There is also missing data for the UK from 2013 onwards for Universal Credit, so actual expenditure is likely higher than captured here. Bismarckian countries, France, Luxembourg and Austria, make up a mid-range group with expenditure roughly between 0.15 and 0.20 per cent of GDP. Spain enters this range from 2015 onwards. Estonia's expenditure is for one year only as its policy was abolished after one year. However, when the policy was active in 2016, expenditure was at a similar level to Luxembourg and Austria. Expenditure on in-work benefits is lowest in Malta.

Unlike most countries in the higher spending group, expenditure in a handful of lower spending countries (Luxembourg, UK, Slovakia and France) increased in 2008-2009 around the time of the financial crisis. In many of these countries, this is in part attributable to the introduction or expansion of schemes. In the case of Luxembourg, two tax credit policies were introduced in 2009 (the Basic Employee Credit and Self-Employed Tax Credit). In the UK, Working Tax Credits were expanded in 2008 (Millar, 2009). France introduced an additional in-work benefit, *Revenu de Solidarité Active* (RSA), in 2009³⁶. The same pattern emerges when using the public expenditure measure in place of the GDP measure. The economic context could have factored into policy makers decisions to expand in-work benefits, or it could be that both the economy and other forms of public expenditure declined. If the latter is the case, it could indicate in-work provisions are immune to fiscal pressures applied to other policies. However, Austria's increase over the same period is mainly because of missing data for two out of three policies up until 2008 (see Table 4.3, Chapter 4).

Across the lower spending countries, expenditure starts to fall as a proportion of GDP from 2009. In Slovakia, the UK and Austria, spending does not exceed pre-2009 levels in later years. As above, the steep decline in Austria's expenditure in 2016 is because of (partial) missing data for 2017.

³⁶ The politics of this reform are examined in Vlandas (2013).

In-work benefit spending recovers eventually in Luxembourg, France, Spain and Belgium. In France, expenditure declines up until 2015, when the tax credit, *Prime Pour l'Emploi* (PPE), and in-work cash transfer, *Revenue de Solidarité Active* (RSA), were abolished and replaced by the Activity Allowance, *Prime d'activité* (PDA). Secondary sources attribute this to retrenchment in the form of freezing of income thresholds limiting entitlement (Cousins, 2014, p.110). The increase in expenditure following the introduction of PDA has been attributed to higher take up of the benefit compared to its predecessors (Eurofound, 2017, p.54), but it is less generous.



Figure 5.2 In-work benefit expenditure in EUMS (Lower spend group)

Notes: In-work benefit expenditure as a proportion of GDP, Lower spend group only. For sources see Table 5.4.

Belgium, Spain and Malta's trajectories are distinctive as policies are newer and/or expenditure increased later than the other lower spending countries. Spain and Belgium are unlike most of the other lower spending countries when looking at in-work benefit

expenditure during the recession period. In Spain, expenditure on its ‘Working Mother Tax Credit’ flattened until 2014, and the increase in expenditure is most likely attributable to two additional earned income tax credits – Working Lone Parent Tax Credits and Working Large Families Tax Credit in 2015. On the one hand, it could be that limited change in the demand for these provisions among the relevant parts of the population meant expenditure remained stable over a period of socio-economic pressure and/or that this benefit was protected despite pressures for retrenchment. However, according to secondary sources, the number of recipients of the Working Mother Tax Credit increased up until 2008, from which point it decreased (Ayala and Paniagua, 2018). Moreover, Belgium introduced an additional earned income tax credit, the refundable ‘Fiscal Workbonus’, in 2011. Malta did not have any in-work benefit policies in place until 2015 and its introduction of its ‘In-Work Benefit’ increased gradually from this point.

In sum, there appears to be a divergent trend among the lower-spending countries over the years covered. In the UK and Slovakia, which are situated in the upper margins of the group, expenditure appeared to decline after the recession and did not recover over the period. In the UK declining expenditure is attributed to deliberate retrenchment of in-work benefits but the data is also partial as Universal Credit expenditure was not estimated. On the other side of the coin, in some of the very low spending countries, or those with no expenditure at all in the mid-2000s, in-work benefit expenditure increased in recent years (Malta, Belgium, Spain, Luxembourg and France). Increases coincide with the introduction of additional policies, or reforms replacing previous benefits, in these contexts.

Next, isolating expenditure on in-work cash transfers in Figure 5.3 for the three countries with this sub-type provides additional insights into trends and patterns in EUMS in-work benefits.

First, expenditure on in-work cash transfer policies in EUMS did not exceed 0.41% of GDP in any country between 2006 and 2017. In contrast, the highest earned income tax credit expenditure amounts to approximately 3% of GDP over the same time period (e.g. for Denmark and Netherlands). Second, the UK and Italy spend considerably more than Ireland, France and Malta on in-work cash transfers, at least up until the increase in expenditure in 2015 in France with the introduction of Activity Allowance (‘Prime d’activité’). Moreover, Italy’s Family Allowances are received by working and non-working recipients, as such the expenditure on working recipients only is likely to be lower than captured here.

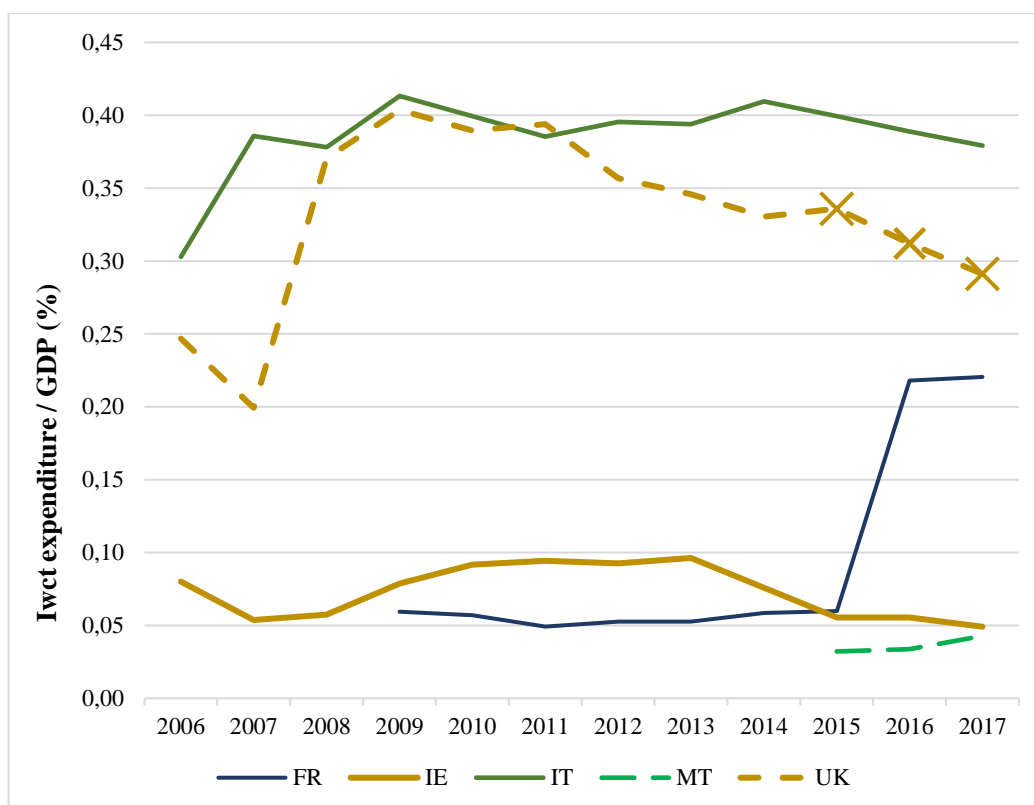


Figure 5.3 Expenditure on in-work cash transfers in EUMS, 2006 - 2017

Notes: In-work benefit expenditure as a proportion of GDP. In-work cash transfers only. See Table 5.4 for sources and details.

Nevertheless, even if only accounting for expenditure on working households, Italy would still belong in the high spend group overall given most of its expenditure is on its earned income tax credits. Indeed, by isolating in-work cash transfer expenditure, it is clear that among all countries with both earned income tax credits and in-work cash transfers, earned income credits make up the bulk of expenditure (France, Italy and Ireland). One explanation for this could be that earned income tax credits are less targeted than in-work cash transfers (OECD, 2003).

Overall, at the surface level, there is considerable cross-national variation in EUMS' trends in in-work benefit expenditure, with two broad groups of countries identified in terms of average expenditure over the period. Welfare regimes hold limited weight with the exception that all Social Democratic countries were in the high spend group; the trajectory of expenditure in Southern regime countries shows increased expenditure from 2012 onwards unlike many other regimes; and average levels of expenditure were very similar across

Bismarckian regime countries with the exception of Netherlands. As the mapping of sub-types indicates, the Netherlands aligns more with other Social Democratic countries in its use of non-refundable earned income tax credits. There are cyclical patterns to in-work benefit expenditure and there are many possible interpretations of this. The next section further probes variation in expenditure with respect to context.

5.3 Contextualising trends and variation in in-work benefits in EUMS

This final section of the chapter aims to contextualise variation in in-work benefits in EUMS with reference to the contexts that they are variably associated with in the literature. Many arguments refer to welfare regimes, e.g. that policies were originally the preserve of liberal regimes but subsequent ‘path-breaking’ reforms introducing in-work benefits have occurred in other countries since the late 1990s. Socio-economic context, especially labour market risks, are also positioned as problems or challenges that in-work benefits are a ‘response’ to. Similarly, in-work benefits are associated with the liberalisation of political economy across capitalist democratic countries.

Assessing any of these claims requires a better understanding of the ‘dependent variable’, an overarching aim of this thesis. As the point of the investigation is to better understand in-work benefits through comparison, and because of the limits with some aspects of the data generated and collected on in-work benefits, this exploration in itself is intended to be indicative, not conclusive, but could feed into the development of theory and shape future research examining the determinants of in-work benefit variation. Moreover, the analysis refrains from a functionalist interpretation of the relationship between socio-economic context and in-work benefit expenditure.

This section starts by contextualising in-work benefit variation in EUMS as set out above with respect to socio-economic factors commonly associated with in-work benefits: in-work poverty and unemployment. As in-work benefits are also viewed as a tool to boost employment at the intensive margin, in relation to work hours or earnings, underemployment is also considered. It then employs the political economy oriented framework outlined in Chapter 3, bringing together the findings discussed already with respect to welfare regimes and the VofC framework, I look at variation in in-work benefits alongside indicators of labour market and social policy institutions that are often seen as indicators of liberalisation.

5.3.1 Problem pressures and socio-economic context

The findings above, on the one hand, show little change in EUMS' tax-benefit systems in terms of the presence of any of the provisions mapped in this thesis at 2008 and 2016, notably for the western and northern European countries. On the other hand, there were also some notable developments, including the introduction of policies in Southern European and CEE countries. The mapping was also important for highlighting which countries do not have provisions. Could it simply be the case there is not a 'need' for in-work benefits in these contexts?

When looking at a key problem pressure associated with in-work benefits, in-work poverty, this appears to not be the case. Table 5.5 shows the in-work at risk of poverty rates for full-time and part-time households in EUMS for each year of the mapping carried out in Section 5.1, as well as the year before each mapping time point to provide a broader picture of context (i.e. 2007 and 2008, 2015 and 2016). The countries are ordered according to the in-work at risk of poverty rate for full-time workers in 2016. The rates are shaded grey if at a level which is above the average for each year and work-intensity.

Countries without in-work benefits include those facing very 'high' pressures in terms of in-work poverty. For example, Romania, had the highest in-work at risk of poverty rate for full-time and part-time workers for all years and did not have in-work benefits. On the other hand, Czechia, a country without in-work benefits (as per the mapping), had among the lowest rates of in-work at risk of poverty rates for all years and did not have any of the provision types in place. Yet, more countries without in-work benefits had above average rates of in-work poverty. One possible explanation is that such pressures have not led governments to adopt to in-work benefit policies because of the (in)capacity of their welfare states. It may also be the case that they have high rates of poverty because they do not have in-work benefits.

Yet, there was high in-work poverty among countries with in-work benefits, notably the Southern regime countries (Italy and Portugal) and Luxembourg. The latter had above average rates of in-work poverty, interestingly for full-time workers, across all four years. The risk for part-time workers also increased over this period. Although a low-spend country, Luxembourg was one of the countries to see an increase in expenditure from 2015 onwards. Italy's in-work at risk of poverty rate for part-time workers went from 15% and 14% in 2007 and 2008 respectively, to 19% and 20% in 2015 and 2016. Italy belonged to

the high-spend group and has also introduced additional new provisions towards the end of the study period.

Table 5.5: IWBs and in-work at risk of poverty rates (%), full-time and part-time workers, EUMS

Year	2007		2008		2015		2016		IWB		IWB
Work intensity (hh)	FT	PT	FT	PT	FT	PT	FT	PT	2008	2016	€
Romania	14	56	14	58	15	59	14	65	X	X	-
Greece	13	27	14	26	12	28	12	30	Y	Y	-
Spain	10	15	9	22	10	27	11	24	Y	Y	L
Luxembourg	9	10	9	13	10	17	11	18	Y	Y	L
Bulgaria	5	16	6	20	7	30	10	42	X	X	-
Poland	11	20	11	20	11	18	10	20	X	X	-
Italy	9	15	8	14	10	19	10	20	Y	Y	H
Portugal	8	28	10	28	10	30	10	30	Y	Y	L
Hungary	5	17	5	16	8	18	9	22	Y	X	-
Estonia	7	16	7	13	9	18	9	15	X	Y	L
Cyprus	6	10	6	9	8	17	7	12	X	X	-
Latvia	8	24	9	24	8	18	7	23	X	X	-
Austria	5	8	8	11	6	11	7	9	Y	Y	L
Germany	6	10	5	11	7	15	7	15	Y	Y	L
France	5	11	5	11	6	13	7	14	Y	Y	L
Lithuania	7	28	8	23	9	28	7	29	X	X	-
Slovakia	5	10	6	11	5	19	6	15	Y	Y	L
UK	6	12	6	12	6	13	6	14	Y	Y	L
Slovenia	4	11	5	8	6	15	5	16	X	Y	-
Sweden	6	7	6	9	7	11	5	10	Y	Y	H
Malta	4	9	5	7	5	16	5	14	X	Y	L
Croatia	:	:	:	:	5	20	5	16	na	Y	L
Netherlands	4	4	4	5	4	5	5	5	Y	Y	H
Belgium	4	6	3	8	4	6	4	6	Y	Y	L
Czechia	3	5	3	6	4	6	4	8	X	X	-
Denmark	4	5	5	7	4	8	3	14	Y	Y	H
Ireland	4	11	5	12	3	10	3	10	Y	Y	H
Finland	3	15	4	14	3	9	3	6	Y	Y	-
Average	6	15	7	15	7	18	7	19	-	-	-

Notes: Data: Eurostat (2020) In-work at-risk-of-poverty rate by intensity of the household. Countries with a rate equal to or greater than average for that year and work type shaded grey. IWB: in-work benefit policies mapped in Section 5.1. Y= provision in place, X= provision not in place. €: country classification as high (H) or low (L) spend in Section 5.2.

Notably, in both countries the gap between the risk of poverty between part- and full-time workers increased. This is quite striking for Spain, where the gap was 5 percentage points in

2007 and 17 in 2015. However, this had declined in 2015. It may be that this inequality between full and part-time workers created pressures that led to the expansion of in-work benefits in these specific contexts.

The other high-spend countries, Ireland, Denmark and Sweden, had low risks of in-work poverty compared to other EUMS. Denmark and Ireland had larger gaps than Sweden between the risk of poverty between full- and part-time working households. If provisions are targeted at part-time households this may express a particular concern about this gap. Just because the rates are below average for EUMS, however, this does not necessarily mean they will be a ‘minor’ pressure in these contexts, especially in the Nordic/Social Democratic countries, which have historically emphasised activation and full employment in order to support its more expansive welfare state.

In-work benefits are understood to be a tool that is employed to tackle unemployment through work incentives and in some cases a means for increasing work intensity. Indeed, the goals of tackling poverty and increasing work incentives are said to be part of a tension in the design of in-work benefits, which are usually more oriented towards one of these goals over the other. The rates of unemployment and underemployment in EUMS may help us to make sense of the conditions associated with variation in in-work benefits both within and across countries³⁷. And a similar exercise was carried out to look at rates of un- and under-employment in countries with and without any of the three in-work benefit types and whether they are high or low spend countries (see Appendix J).

The picture differed quite markedly for underemployment. With the exception of Cyprus, which had among the highest rates of underemployment in 2015 and 2016 (approx. 9 per cent), most of the countries *without* in-work benefits at the two time points had some of the *lowest* rates of underemployment in the EU, e.g. Czechia (0.5% in 2016), Bulgaria (0.8% in 2016), Poland (1.7%) and Lithuania (1.4%). Hungary, which abolished its earned income tax credit provision, had an underemployment rate of 1.1% in 2016. In contrast, underemployment was relatively high in Greece and Spain in 2015 and 2016, but also in Western European countries, including some high spend countries, e.g. the Netherlands

³⁷ In line with the theoretical framework, the assumption underpinning the analysis is that such pressures, under certain conditions, feed into political processes, e.g. they influence political actors’ decisions to introduce, expand, retrench or reform in-work benefits by creating new demands among socio-political groups. However, these factors could also capture changes in socio-economic context that also drive demand for policies without any action.

(6.1% in 2016), Ireland (5.1% in 2016), Denmark (4.5% in 2016)³⁸. Rates of unemployment in countries with and without in-work benefits varied considerably, e.g. countries without included: 13% in Cyprus, 9.6% in Latvia, 7.9% in Lithuania, and 6.2% in Poland (all 2016) and countries with: 11.7% in Italy and 4.1% in Germany. The higher spend countries also faced different levels of unemployment.

The varied context for in-work benefit developments in EUMS is illuminated further when looking at trends in expenditure in 14 EUMS included in the expenditure analysis only and in-work poverty³⁹ (Figure 5.4), unemployment⁴⁰ and underemployment⁴¹ (Appendix K)⁴². The line graphs show the rates of each of the socio-economic indicators on the left axis (blue line) and expenditure on in-work benefits as proportion of public expenditure on the right axis (red line). They further illuminate the variation in the rates of in-work poverty across both higher and lower spending countries over the study period. Some trajectories stand out. In Denmark, for example, in-work poverty appears to decline before the sharp increase in expenditure on its earned income tax credit. The immediate context may not have influenced the reform or in-work poverty may not be a factor associated with its expansion, i.e. if employment goals were prioritised. However, in-work poverty had been rising quite sharply before then so it could nevertheless be an important part of the context influencing political decision making in the Danish context.

The trajectories for underemployment and unemployment further nuance this picture. Highlighting possible longer standing risks feeding into the context of increasing expenditure in Denmark, there is a gradual increase in unemployment but not underemployment before the sharp increase in expenditure. Both of which, along with in-work poverty, decline as expenditure increases. Underemployment, however, peaks sharply again in later years. Underemployment rose drastically in the Netherlands before in-work benefit expenditure increased. A gradual yet similar pattern of increasing underemployment

³⁸ When looking at proportion of part-time workers that are underemployed, the ordering of countries from highest to lowest changes. However, looking at underemployment as a proportion of total employment captures variation across countries in terms of the prevalence of underemployment, as only a small proportion of employment could be part-time.

³⁹ Eurostat (2019a): In-work-at-risk of poverty. The in-work (at risk of) poverty indicator is taken from Eurostat and shows 'the rate of 18-64-year olds who are classified as employed according to their most frequent activity status and are at risk of poverty'.

⁴⁰ Eurostat (2019b): Unemployment by sex and age - annual average.

⁴¹ Eurostat (2019c): Underemployment and potential additional labour force statistics. Under-employment is a measure of part-time workers, recorded by individuals, who want (and are available to) work additional hours

⁴² Full details of all variables in Appendix C.

before in-work benefit expenditure increases can be seen also for Italy and Belgium, although the latter spends considerably less on the provisions examined in this research.

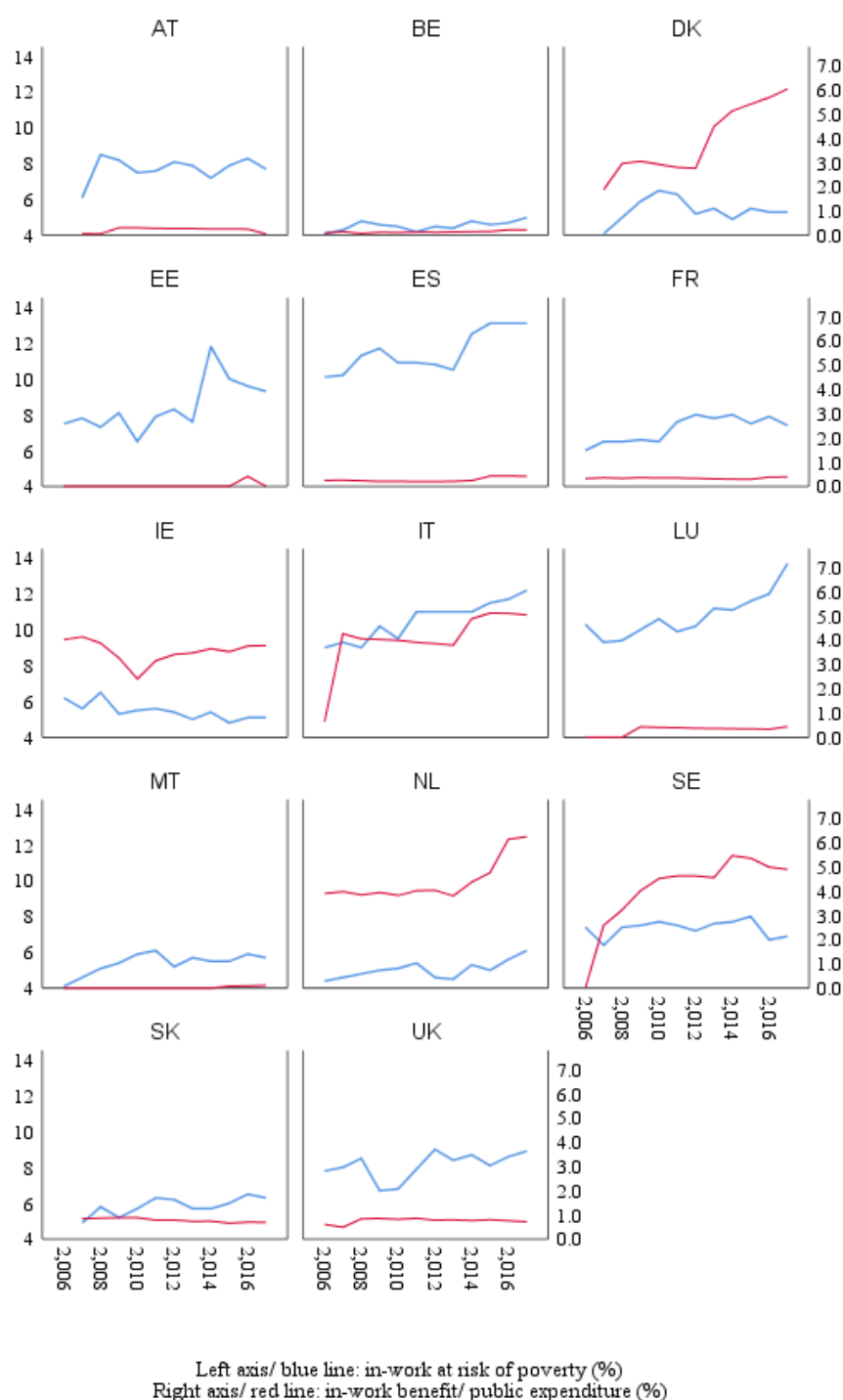


Figure 5.4 Trends in in-work benefit expenditure and in-work poverty in EUMS, 2006 to 2017

Notes: Expenditure data as above. IWB expenditure covers only earned income tax credits and in-work cash transfers. Some policies missing. Finland excluded from analysis because missing data. In-work at risk of poverty rates (Eurostat, 2019).

The differential impact of the financial crisis of 07/08 and subsequent economic recession on levels of unemployment can be seen in the line graphs also. Unemployment is particularly pronounced in Italy, Spain and Estonia. All three countries saw moderate increases in expenditure towards the end of the time-period studied as unemployment starts to decline. The one year of expenditure for Estonia coincides with an increase in unemployment.

Table 5.6: Exploring the relationship between socio-economic pressures and in-work benefit expenditure in EUMS

EUMS	Unemployment		Underemployment		In-work poverty		In-work benefit expenditure	
	PC	N	PC	N	PC	N	Mean	Years = 0
IE	0.292	12	0.594	9	0.623	12	3.54	0
UK	0.687	12	0.231	10	-0.298	12	0.75	0
AT	0.275	11	-0.177	10	0.265	11	0.23	0
BE	-0.017	12	0.709	10	0.486	12	0.15	0
FR	-0.04	12	-0.147	10	0.066	12	0.34	0
LU	0.459	12	0.747	10	0.51	12	0.29	0
NL	0.242	12	0.483	10	0.838	12	4.41	0
DK	0.258	11	0.258	10	0.056	11	3.93	0
SE	0.414	12	-0.17	10	0.252	12	4.07	1
ES	0.134	12	0.329	10	0.858	12	0.27	0
IT	0.588	12	0.827	10	0.654	12	4.06	0
SK	0.477	11	-0.719	10	-0.486	11	0.78	0

Notes: Countries are organised according to welfare regime. Pearson correlation (pc) coefficients are reported for each country. The strength of the relationship is denoted by the coefficient (1= perfect positive, -1 perfect negative, 0 no correlation). Stronger relationships in bold. N' number of observations. 'Years=0' years included in analysis when country had no in-work benefit expenditure. In-work benefit expenditure on earned income tax credits and in-work cash transfers. Sources described in main text.

Moreover, correlational analysis was carried out for each country using the GDP in-work benefit expenditure measure and the socio-economic factors discussed above (Table 5.6). Malta and Estonia are excluded because there is only one year of expenditure data. Most of the correlations were weak to moderate. For most countries there was a positive relationship between in-work benefit expenditure and in-work poverty, and in-work benefit expenditure and unemployment, but not all. The coefficient for in-work poverty was highest in Spain, Italy and the Netherlands (all positive). However, as shown above, while in-work poverty is broadly positively related to in-work benefit expenditure *within* countries, it does not appear to explain variation in expenditure *between* countries. Countries with high in-work at risk of poverty rates are not relatively high spenders on in-work benefits at any point during the years covered, e.g. Luxembourg, and Spain⁴³. And vice-versa, countries with

⁴³ All Estonian results should be caveated with the fact that there is only one year of non-zero expenditure data

lower in-work at risk of poverty rates during the time period covered, namely Denmark and the Netherlands, are relatively high spenders on earned income tax credits over the time period. The results for under-employment were more mixed, with some strong positive (Belgium, Luxembourg and Italy) and strong negative (Slovakia and Luxembourg). However, these analyses are not immune to endogeneity issues, as in-work benefit expenditure could be affecting the rate of these factors (in either direction).

The next section adds to this picture of the context of in-work benefit variation by looking at corresponding institutional variation.

5.3.2 *Institutional context and liberalisation*

The findings presented in Sections 5.1 and 5.2 all indicated that welfare regimes hold limited weight in terms of driving in-work benefit reforms in post-crisis Europe. The main ‘clustering’ appeared to be around less developed and the more developed welfare states in terms of where provisions were in place and recent trends. There was also some indication that social democratic regime countries (at least historically speaking) are similar in terms of (high) expenditure and the types of provisions used (non-refundable earned income tax credits). This is surprising given that in-work benefits are mainly associated with a liberal political economy.

This section thus explores the institutional context, namely policies that are indicators of the different balance of the state and market in the income maintenance and protection of workers during times of employment and unemployment. It includes indicators of institutions that are typically associated with social democratic and/or corporatist political economy (when high) and liberalisation (when low or declining): collective bargaining coverage, trade union density⁴⁴ and unemployment benefit replacement rates^{45,46}.

First, as above, an initial exercise is to consider the institutional variation in countries with and without in-work benefits. In terms of unemployment benefit replacement rates, the picture is again mixed among countries without (and with) in-work benefits. For example, replacement rates are among the lowest in Greece, Romania, the UK, Germany, Austria and Ireland, which includes countries with and without in-work benefits and with different levels

⁴⁴ Collective bargaining coverage rate and the trade union density rate are taken from ILO Stat (Visser et al, 2015).

⁴⁵ OECDstat (2019) Net Replacement Rates measure the proportion of previous in-work income that is maintained after 6 months unemployment for a single person without children earning 67% of the average wage for that country – a level close to those commonly defined as having ‘low wages’. The measure does not include housing benefits.

⁴⁶ See Appendix D for full description of sources and indicators.

of expenditure (OECDstat, 2019a). Moreover, most EUMS have seen a decline in trade union membership and density (a proportion of those in work) rates since the 1980s. However, both EUMS with low trade union density (e.g. France and the UK) and those with high trade union density (e.g. Sweden, Denmark and Finland) have in-work benefits (Eurofound, 2015; Visser et al., 2015). In-work benefit reforms have not been on an upward trajectory across all countries. Thus, the relationship may be complex than the liberalisation thesis would see it. There is a similar, mixed initial picture in terms of collective bargaining coverage and in-work benefit variation.

Examining differences among countries, correlational analysis using the GDP and public expenditure in-work benefit measures (Table 5.7) highlights variation across European countries in the direction and strength of the relationship between in-work benefit expenditure and the ‘liberalisation’ indicators included in the analysis⁴⁷. Most countries’ in-work benefit expenditure is negatively correlated with replacement rates, with strong results in the Netherlands, Sweden and Slovakia. In Ireland, Belgium, Denmark and the UK, replacement rates are positively correlated with in-work benefit expenditure. However, for Ireland, when the public expenditure proportional measure of in-work benefit expenditure is used, this relationship is also negative (PC: -0.542).

Offering some support to the liberalisation argument, trade union density was also negatively correlated with in-work benefit expenditure in the Netherlands and Sweden (in addition to replacement rates). In-work benefit expenditure was negatively correlated with trade union density in Luxembourg. The result for Ireland is positive but when using the public expenditure measure of in-work benefit expenditure there is a negative result for Ireland. There are fewer results for collective bargaining. However, there is a very similar general picture in that there is mostly a negative relationship, i.e. increasing expenditure on in-work benefits correlates with declining coverage of collective bargaining agreement but for many countries this is very weak. Luxembourg and Denmark, and to a lesser degree France and Sweden, stand out as having a stronger negative relationship between collective bargaining coverage and in-work benefit expenditure.

Again, the line charts below (Figure 5.5) and in the appendices (Appendix K) highlight corresponding institutional trajectories and nuance the interpretation of this analysis.

⁴⁷ The analysis using in-work benefit expenditure as a proportion of public expenditure is shown in Appendix M.

Table 5.7: Exploring the relationship between IWB expenditure and indicators of liberalisation in EUMS

EUMS	Collective bargaining coverage		Trade union density		Replacement rates		In-work benefit expenditure	
	PC	N	PC	N	PC	N	Mean	Years = 0
IE	-		0.867	11	0.608	12	3.54	0
UK	0.235	11	-0.247	11	0.424	12	0.75	0
AT	.a	10	-0.569	10	-0.22	11	0.23	0
BE	.a	11	-0.126	10	0.612	12	0.15	0
FR	0.674	4	0.088	10	-0.368	12	0.34	0
LU	0.979	5	-0.712	11	-0.043	12	0.29	0
NL	0.049	11	-0.798	11	-0.972	12	4.41	0
DK	0.923	7	0.046	10	0.609	11	3.93	0
SE	0.605	4	-0.968	10	-0.961	12	4.07	1
ES	0.284	12	-0.672	10	-0.475	12	0.27	0
IT	.a	10	0.486	11	-0.212	12	4.06	0
SK	0.553	6	0.314	9	-0.858	11	0.78	0

Notes: Pearson correlation (pc) coefficients are reported for each country. The relationship is denoted by the coefficient (1= perfect positive, -1 perfect negative, 0 no correlation). N' number of observations. 'Years=0' years included in analysis when country had no in-work benefit expenditure. In-work benefit expenditure data from EU-IWB, GDP measure. Contextual variables described above. Countries are organised according to welfare regime. Malta and Estonia removed because limited expenditure data.

Looking at these line graphs, as with in-work poverty (and the socio-economic indicators more generally), variation in replacement rates does not appear to relate to *between-country* variation in in-work benefit expenditure in the same way as *within-country* variation. This is because the highest spend countries, Denmark, Netherlands, Italy and Sweden have relatively high replacement rates, while the UK, Malta and Estonia have low replacement rates and relatively low spending.

In some countries, the correlation coefficient also masks the relatively small overall change on one of the two indicators. For example, there is very little change in replacement rates over the years covered in Denmark and the Netherlands, despite the considerable increase in in-work benefit expenditure. In contrast, replacements rates change in Austria but in-work benefit expenditure remains more constant and is considerably lower. On the other hand, there is a clear negative relationship between in-work benefit expenditure and replacement rates in Sweden, but this appears to reverse in 2016.

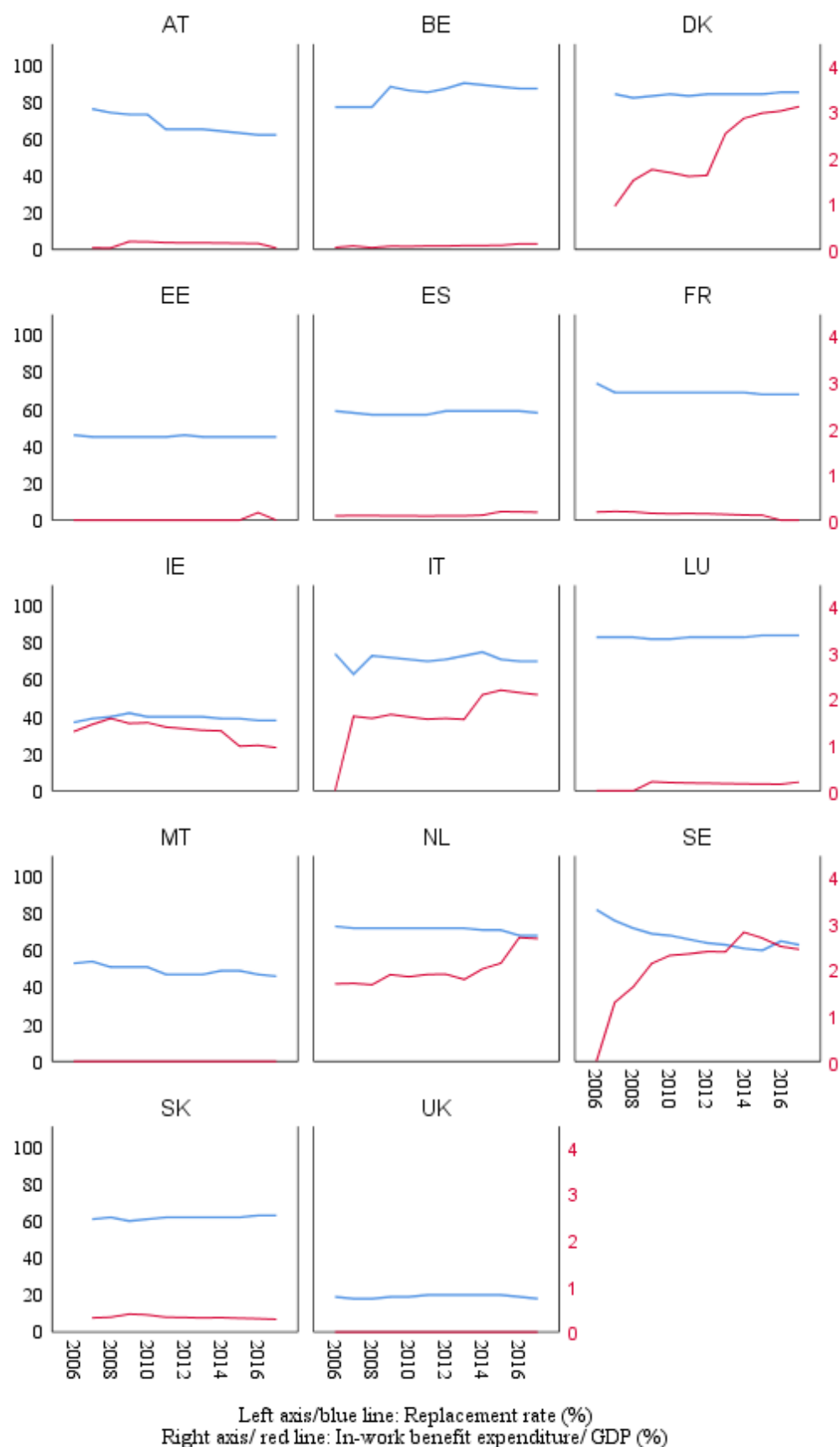


Figure 5.5 Trends in in-work benefit expenditure and unemployment benefit replacement rates in EUMS, 2006 to 2017

Notes: Expenditure and contextual data defined above. IWB expenditure covers only earned income tax credits and in-work cash transfers. Finland excluded from analysis because missing data.

Looking at trade union density (Appendix L), as suggested above, this declines in most countries, notably in Ireland, Luxembourg, Sweden and Slovakia and less steeply in the Netherlands and the UK. There is not as much change in Denmark or Italy over the period. Finally, the data for collective bargaining coverage is very patchy. Yet, it highlights the stark differences between the countries. It is high/moderate in Austria, Belgium, Denmark, Italy, Spain and Sweden and remains so. The main country where there is a decline is Ireland, alongside a decline in in-work benefit expenditure (GDP measure).

In sum, the question of whether in-work benefit expansion is occurring alongside liberalisation finds some support in this data when looking at the trends in all three indicators for Sweden. In the Netherlands, increased expenditure has occurred alongside declining trade union density and collective bargaining coverage, but not replacement rates. In Ireland and the UK, liberal regimes, gradually declining in-work benefit expenditure appears to correspond with indicators of (further) liberalisation. The lower and relatively stable spending in CME countries, including Austria and Belgium, has seen collective bargaining remain steady but liberalisation on other fronts. Slovakia and Estonia follow similar trajectories on institutional indicators, but varied trajectories of in-work benefit expenditure.

Variation across corresponding policy areas implies there may be different institutional dynamics across countries. Regimes appear to hold little weight given the divergent trajectories across regime types, apart from the possible demise of in-work benefits alongside further liberalisation in Liberal regime countries – and a partial picture of forms of liberalisation alongside in-work benefit expansion in the Social Democratic higher spend countries, with Sweden being the plainest example of this.

5.4 Conclusion

The chapter first mapped in-work benefits in EUMS, comparing across countries, including a breakdown of the prevalence of in-work benefits sub-types across EUMS at 2008 and 2016. The findings offer some support for earlier claims in the literature that in-work benefits are no longer unique to Liberal/Anglo-Saxon countries (Immervoll and Pearson, 2009, p.19). The prevalence of in-work benefits at 2008 illuminates that in-work benefits were already part of the tax-benefit framework when the financial crisis of 2007/08 hit. These in-work provisions may, therefore, be best understood with respect to longer-term political, economic and social changes in de-industrialised contexts, rather than the conditions associated with economic crises and recession.

Yet, the exception to this are what are often seen as ‘less developed’ welfare states of Central and Eastern Europe and some Southern regime countries. Indeed, in-work benefits were very new in these contexts: Malta introduced its in-work cash transfer (In-Work Benefit) in 2015 and Estonia introduced its earned income tax credit (Non-Refundable Credit for Low Income Workers) in 2016. In-work benefits may therefore be used when welfare states reach a point of maturity and/or because the conditions associated with the late development of capitalism and democracy are conducive to the politics of in-work benefits. Interestingly, Hungary was the only country to abolish in-work benefits over these two time points, whereas one of Slovakia’s earned income tax credits (Employee Tax Credit) was rendered obsolete by concurrent minimum wage and benefit reforms. Politically, this could be indicative of fragile support for in-work benefits in these contexts.

Elsewhere, the mapping did not pick up on much change between these two time points, but in-work benefits have undergone reforms in several other more advanced welfare states, notably France. The UK system was also undergoing radical reform with the introduction of Universal Credit. These broad findings therefore aid our understanding of in-work benefits in a comparative perspective and longer-term changes in the use of such provisions in capitalist democratic countries.

Yet, there are limits to the conclusions that can be drawn from the mapping part of the investigation and further questions are raised. Given the prevalence of in-work benefits in EUMS has a lot to do with ‘adjusted unemployment benefits’, it is important to compare the amounts and types of work and earnings that can be combined with adjusted unemployment benefits to gauge whether such provisions can be considered a *de facto* in-work benefit, as has been argued for other contexts (e.g. Germany by Clasen (2019)).

The mapping also did not capture variation in the scale or extent of provisions. The next part of the chapter thus looked first at trends in in-work benefit expenditure for the EU as a whole from 2006 to 2017, identifying a broadly upward trend in average in-work benefit expenditure. Looking within and between countries over time, the findings suggest a split between EUMS spending less than 0.5% of GDP and those mainly spending between 1-3% of GDP. The high-spend countries included Ireland, Italy, Netherlands, Denmark and Sweden. The low-spend group includes the UK, the remaining Bismarckian regime countries (Belgium, France, Luxembourg and Austria), Southern regime countries (Malta and Spain), and Slovakia and Estonia from the Central and Eastern group.

The findings partly challenge the assumption that in-work benefits are most expansive in Liberal regime countries and supported more recent claims that expansive and costly reforms are in place in other regimes, notably Kenworthy's (2016) point about Sweden's expensive EITC. For example, Slovakia's in-work benefit expenditure was close to the UK's throughout much of the period covered (however data were missing for the UK's Universal Credit, introduced in the later years covered by the analysis). Also, Italy ranked among the high spenders in of all EU Member States because of its earned income tax credit policies. Similarly, the Netherlands and Denmark are very similar to Sweden in having relatively very high expenditure on earned income tax credit policies. Indeed, the bulk of expenditure across all EUMS was on earned income tax credits and not in-work cash transfers. Yet, many countries in the lower spend group only had earned income tax credit policies. In other words, earned income tax credits are not always expensive. This is likely due to the targeting and the generosity of schemes, both of which are examined in the next section.

In terms of changes over the 11 years included in the analysis, negative cyclical spending patterns were found for many EUMS during the financial crisis. Moreover, the findings highlighted variance within these groups in terms of the longer-term trends in in-work benefit expenditure. There was evidence of increasing in-work benefit expenditure in some countries (notably Netherlands, Denmark, Luxembourg, France and Spain) in later years of the analysis, which was linked in some cases to policy reform, such as the introduction of two additional earned income tax credit policies in Spain. Expenditure did not recover in the latter end of the period studied in the UK and Slovakia, both of which were the highest spending countries in the lower spending group. Similarly, Estonia's in-work benefits were introduced and then effectively abolished. Thus, we cannot say straightforwardly there is a move towards in-work benefits across EUMS in terms of countries directing more resources to policies over time.

Variance within and across countries was unpacked further with exploratory analysis of socio-economic indicators and whether countries had in-work benefits in place, and variation in in-work benefit expenditure. The findings indicated that countries with both above and below average rates of in-work poverty and unemployment have in place in-work benefits. Yet, there was a starker difference for under-employment, whereby most of the countries with higher levels underemployment also had in place in-work benefits (with the exception of Cyprus, where underemployment was among the highest). This could be something to do with the labour market risks of the more advanced welfare states.

Correlational analysis of expenditure and indicators of socio-economic context, and an examination of country trajectories, revealed some interesting patterns *within* countries that may help us to understand the conditions in which in-work benefits are used, including the positive relationship between in-work poverty and in-work benefit expenditure. Whether these factors actually create pressures or are driven by in-work benefits and corresponding reforms, however, cannot be gauged through this analysis. Thus, the interpretation of this analysis is limited but it provides leads for future research. The key point to be made here is that such pressures do not appear to explain differences in in-work benefit expenditure between countries. Moreover, it is possible that variation in the types of in-work benefits in place, including the goals and logics underpinning these, are part of the reason why ‘uniform’ arguments about socio-economic context and variation have mixed relevance.

Further exploratory analysis of the relationship between in-work benefit variation and corresponding indicators of social policy and labour market institutions was intended to further contextualise the findings. There were no overarching similarities on these institutional indicators and countries with and without in-work benefits, or levels of expenditure. But again, some interesting findings emerged with respect to individual and groups of countries.

A closer look at the varied direction and strength of the relationship between in-work benefits and these indicators, offered some support for the notion that there are distinctive forms and degrees of liberalisation across countries. For example, in Denmark, in-work benefit expenditure is positively correlated with replacement rates and collective bargaining coverage, but these changed very little over the period studied. The results could be capturing Denmark’s ‘embedded flexibilization’ approach, whereby in-work benefits are part of a system that is market-oriented but with high protections from the greater risk associated with flexible labour markets, as political coalitions have acted reflexively to maintain a more egalitarian form of capitalism (Thelen, 2014, p.147–8). In contrast, increasing expenditure in Sweden and Netherlands coincided with a decline in collective bargaining coverage, replacement rates and trade union density (albeit to different degrees).

It is hard to tell, however, from these analyses how in-work benefit expenditure relates to different forms of liberalisation as they only scratch the surface. The indicators used are unlikely to capture the multi-faceted ways in which these institutions change and processes such as dualization (i.e. continued protection for insiders) could occur, whereby these

arrangements protected insiders and limited schemes, such as means-tested in-work benefits, are targeted on ‘outsiders’ (Thelen, 2014, p.147).

Indeed, the findings could indicate that in-work benefits are likely to be informed by varied goals and logics across countries and interact differently with institutional factors, for example. Looking more closely at variation in the form and features of policies is likely therefore to help us make sense of the heterogeneity observed in this chapter. The next two chapters focus on the operationalisation of the dependency relationships framework to consider the varied orientation of in-work policies towards different degrees and forms of dependence on the state, labour market and the family, which are theorised as sites whereby we can observe the cross-cutting goals, interests and logics at play in countries’ in-work benefit strategies.

6 THE ORIENTATION OF IN-WORK BENEFITS IN EUMS: STATE AND FAMILY

Building on the picture of trends and variation in EUMS' in-work benefits, this chapter compares the policies identified for 2016 only. Using the dependency relationships framework set out in Chapter 3, it compares the orientation of provisions towards qualitatively and quantitatively different forms of dependence on the state and the family.

The analysis presented in this chapter is split into two main sections. Section 2 compares the orientation of EUMS' in-work benefits towards varied degrees and forms of dependence on the state. It begins with a comparison of the levels of in-work cash transfers and earned income tax credits, as the main indicator of the *orientation* of in-work benefits towards different degrees of state 'dependence' for income maintenance for working individuals and households. Adding to this, the analysis of the nature of this dependency relationship considers the social or fiscal form of the provision, the targeting of benefits, and the conditions for access and determining eligibility.

Section 3 compares the orientation of EUMS' in-work benefits towards different forms and degrees of dependence among members of a family unit. The main indicator differentiating countries' provisions is whether the benefit is individualised or provided at the family/household level. The analysis then looks at the rules and features within in-work policies concerning the family, including eligibility based on household composition and the rules concerning the labour market participation of couples within a household. The chapter ends with a summary of the main findings and raises some key discussion points to be followed up in Chapter 8.

State and familial dependency are interrelated, but they are separated out here for analytical purposes in this chapter. For example, an in-work cash transfer might make up a substantial portion of an individual's income (a form of state dependence), but the receipt of this is likely to be conditioned on them earning above a threshold through participation in paid work (market dependence). It could also be designed to encourage the sharing of resources with other members of the household (family dependency) by, for example, excluding other members for applying for the benefit as well. The relationship between different forms and degrees of dependency is considered throughout these two chapters and in the discussion.

6.1 In-work benefit policy orientation: state

This section is concerned with the orientation of policies towards different degrees and forms of state dependence. The analysis is mainly of in-work cash transfers and earned income tax credits for 2016, as the data describing the relevant rules and features of *adjusted* unemployment benefits was limited in comparison. Moreover, adjusted unemployment benefits constitute a form of ‘possible’ in-work benefits and the extent and forms of work that can be combined with unemployment benefit receipt is the focus of the next chapter.

6.1.1 Degrees of state dependence

Levels of in-work cash transfers and earned income tax credits and the corresponding policy features that determine levels are analysed in this section. Benefit levels are the main indicators of *policy orientation* towards different degrees of state dependence for working households, with higher levels indicating policies oriented towards more state dependence.

First, the comparison of levels of *in-work cash transfers* includes the policies identified in the 2016 mapping (Chapter 5) for following five countries: Ireland, the UK, France, Malta and Italy. The rules and calculations to determine the levels of in-work cash transfers are complex. All schemes are means-tested benefits, and entitlement is calculated on the basis of a range of income sources, work intensity and earnings, and household level variables (e.g. number and age of children). To facilitate comparison across countries, levels are calculated as proportion of annual average wage (hereon AW), using OECD wage data, for *similar* household types in terms of composition and earnings. As only maximum levels could be calculated for some policies, these are the focus of the comparison. While it is possible only a small proportion of recipients are entitled to the maximum amount of each benefit, these parameters are indicative of the upper end of the orientation of in-work benefits towards state dependence. Thus, the comparison is indicative rather than conclusive.

The comparison of levels is summarised in Table 6.1. The levels of Malta’s in-work cash transfer, In-Work Benefit, serves as a reference point for other policies, as levels could be calculated for a range of different household types for the benefit, with the information in the main data sources. Three example households are set out for Malta (labelled A, B and C); the household examples given for the other countries are labelled with reference to the household described for Malta they most closely resemble.

Starting with Malta's In-Work Benefit, a working couple with dependent children, together earning between €10,000 (46% AW) and €20,400 (93% AW), receive a maximum of 4.6% AW (€1000 per annum) per child (example A). Working couples with three children entitled to the maximum amount would therefore receive therefore €3000 (approx. 14% of AW) per annum (example B). Lone parents with earnings between €6,600 (30% AW) and €15,500 (70% AW) receive a maximum of 5.5% AW (€1200) per child (example C). One earner, two adult households receive considerably less: the maximum benefit is just over 10% of the amount for lone parents.

Like Malta, the level of Ireland's Family Income Supplement (FIS) varies depending on earnings and household composition, with higher awards given for larger households. Roughly comparable to the earnings and children in the example A above for Malta, a household with three children and net income equivalent to 50% of AW would be entitled to €8490 per annum in in-work benefits, equivalent to 18.5% AW. As such, the level of Ireland's FIS is higher than Malta's In-Work Benefit for this household type (18.5% vs 14% of AW). If a household with one child had a net income equivalent to that of 30% of AW, they would be entitled to approximately €148 per week/ €7690 per annum, or 17% AW (rounded). This is also higher than the maximum level of Malta's in-work benefit for a working couple with one dependent child. However, the level of earnings used to calculate the award were low in comparison because of gaps in the data, so it is not an equal comparison.

Italy's Family Allowances are paid to households with income below a threshold level⁴⁸. Like Malta and Ireland, the level of the benefit increases with the number of children, up to a maximum of seven children. It declines as income increases in a non-linear way and the amount of benefit is also reduced in proportion of days not worked during the year. The maximum benefit level for households with one child is 5.3% of AW in 2018⁴⁹; which is slightly higher than the amount which can be received by a household with two parents working and one child in Malta (4.6%) and considerably lower than Ireland's FIS for a similar household in terms of composition (17%). A household with three children under the age of 18 is entitled to an amount equivalent to approximately 6.3% of average wage⁵⁰,

⁴⁸ The threshold level is dependent on household composition: for a household with one member the threshold is approximately 36% of average wage⁴⁸; for a two-member household the threshold is approximately 57% of average wages; and for working couple with two children the threshold is approximately 97% of average wage for 2016.

⁴⁹ It was not however possible to calculate the actual level of award received with the main data sources, so the OECD's Employment Conditional Earning Subsidies tables for 2018 were used.

⁵⁰ This is the example given in the OECD Country Description report for Italy (2016), not the authors own calculation.

indicating Italy's provision is oriented towards less state dependence than the other provisions, where higher benefits are available to larger working households.

Table 6.1 Comparison of levels of in-work cash transfers: Malta as reference point

Country	Provision	Example households	Amount
Malta	In-Work benefit	A) Working couple, joint earnings between 46% and 93% of AW, with dependent one dependent child	4.6% AW (max)
		B) Working couple, joint earnings between 46% and 93% of AW, with three dependent children	14% AW (max)
		C) Lone parent, earning between 30% and 70% of AW, one dependent child	5.5% AW (max)
France	Activity Allowance	A/B) Working couple with two children, one parent working full-time and the other working half time at the minimum wage (approx. 72% AW)	7.9% AW
Ireland	Family Income Supplement (FIS)	B) Working household, 50% AW, with three dependent children	18.5% AW
Italy	Family Allowances	A) Working household one child with income below threshold (approx. 74% of AW)	5.3% AW
UK	Working Tax Credit (WTC)	A) Working household with income below threshold of 19% of AW	Basic amount: 5.7% AW; lone parent element: 5.7 % AW; Couple element: 5.8% AW; 30 work hours element; 2.3% AW (plus other elements for disability and childcare)

Notes: Combination of author's own calculations using the main policy sources (see Chapter 4), OECD.stat (2019b) data on average wages, and the examples of calculated levels in sources. Provision names are in English based on those given in the main data sources.

The Activity Bonus (*'Prime d'activitie'*) in France varies with family composition and quarterly income. According to report for the European Commission (Legros, 2015), a couple with two children, in which one parent works full-time and the other works half time,

both at the minimum wage, should receive an amount equivalent to 7.9% of AW⁵¹. There is also a capped bonus for each family member undertaking paid work, with the amount increasing with earnings up until a certain level. The bonus amount ranges from €15 to €67.50 per month (approx. 2.2% of AW). The bonus itself is equivalent to approximately half of the overall benefit for a one child household in Malta.

Entitlement to UK's Working Tax Credits (WTC) is determined by several factors, including a means-test of a range of income sources (e.g. other benefits, earnings, private pensions). The amount of the award depends on whether relevant income is below or above a threshold, which was approximately 19% of AW for 2016. If below, then the household is entitled to a maximum benefit amount for a basic element of the credit worth approximately 5.7% of AW, which is close to the amount received by slightly higher earners in Malta and the same as the maximum benefit level in Italy. Earnings above the threshold taper away the level of award at 41% in 2016.

But WTC is built up of several elements. On top of the basic element, there are additional elements based on: 'family composition (basic, couple and lone parent element), health (disability and severe disability element), number of hours worked (30-hour element) and age of the claimant (50+ element)'⁵². Table 6.1 shows the maximum amount for each element for 2016/17, calculated as a proportion of average wage for that year. WTC appears more generous than Malta and Italy's in-work cash transfers if combining multiple elements e.g. couple and basic. However, the basic earnings threshold to be eligible for these amounts is very low compared to the examples provided above (e.g. 46% of average wage for Malta versus 19% of average wage in the UK), meaning households with earnings of 49% of average would not be eligible for the full basic amount.

Finally, the levels for Universal Credit, the merged in and out of work cash transfer for the UK that will eventually replace Working Tax Credits, were not detailed in the primary sources. Analysis suggests that some households will fare worse and some will fare better under Universal Credit compared with the previous system of means-tested benefits⁵³ (Keen

⁵¹ There was not sufficient information in the main sources to calculate the levels. An additional source (Legros, 2015) was used instead. The amount, specified in Euros in Legros (2015), was calculated as a proportion of average wages using the OECD average wage data.

⁵² EUROMOD UK Country Report (2017, p23)

⁵³ Universal Credit was a moving target during the research project with direct and indirect reforms affecting the calculation of levels. For example, there were changes to a limit on the amount of benefit based on the number of children and changes to the 'work allowance': the amount of earnings that affect the calculation of the benefit. There was not, however, sufficient detail to calculate levels for example households in the 2016 sources. Moreover, Universal Credit is made up of multiple elements, including housing benefit, complicating comparison with other countries' in-work cash transfers.

et al., 2016). Looking at government sources for 2019/2020, eligible households are entitled to basic monthly amount ('standard allowance'), but this differs across household types. For example, using the rates for 2020, a single person under 25 is entitled to £251.77 (approx. 11% of average pay) and a couple under 25 is entitled to £395.20 (approx. 18% of average pay). The amount for a single over 25 (£317.82) and a couple over 25 is higher (£498.89, for couple), approximately 14% and 23% of average pay (Gov.uk, 2020a). Compared what could be calculated for the other countries, the levels of the basic amount are at the higher end, suggesting the provision is oriented towards a moderate to high degree of state dependence for income maintenance.

Unlike the other in-work cash transfers, however, Universal Credit entitlement does not increase in the same way for households with more children, as there is no additional amount given for additional children beyond two children. There is also a cap on the level of benefits in the UK, an austerity measure introduced in 2013, which applies to Universal Credit and limits the overall amount working age households can receive in benefits per year (Gov.uk, 2020b). Moreover, Universal Credit differs from the other in-work cash transfers in that a conditionality regime applies to some in-work recipients and their partners under which failure to comply with behavioural requirements can lead to a reduction in benefit levels, or the temporary or permanent suspension of the benefit. Additionally, the monthly amount households receive can be reduced in order to pay off debts to government, including those accrued through payment advances while access to the benefit is being processed. Thus, while the standard allowance appears relatively high, the amount households can get overall is limited.

In sum, across EUMS, in-work cash transfers are mostly oriented towards more state 'dependence' for income maintenance for households with more dependent children. Ireland's FIS appears to be most strongly oriented towards state dependence for working households with multiple children compared to in-work cash transfers in other EUMS. Italy and Malta's in-work benefits can be oriented towards a higher degree of state dependence for households with multiple children but the amount for households with one child/dependent is considerably lower than Ireland's. France's Activity Allowance operates at a moderate level with an additional bonus for work. The findings are less conclusive for the UK with its move to Universal Credit. The base level indicates a relatively high state dependency orientation, but the application of conditionality, limits on the amounts for households with multiple children, and the repayment of government debts, could serve to

reduce this amount. The UK is markedly distinct to other countries with in-work cash transfers in that Universal Credit has a ‘two-child limit’ whereas levels typically increase with the number of children elsewhere.

Turning now to earned income tax credits identified in for 2016. The maximum levels are compared in Table 6.2 for a total of 20 policies identified in the mapping. The amounts shown are the levels of annual entitlements, which are also shown as a proportion of average wages for each country for 2016. Earned income tax credits are also categorised as refundable or non-refundable, showing whether entitlements can only ever reduce tax liability (non-refundable), or whether they can lead to a refund or transfer (refundable).

The calculation of the entitlement to earned income tax credits differed across EUMS. The levels of 17 earned income tax credits are means-tested and/or take into account household composition, and there are also three are flat rate policies (Luxembourg and Slovakia’s provisions). An anomaly, the level of Slovakia’s Employee Tax Credit is listed as 0% of AW, as changes in other policy areas (minimum wage and health insurance contributions) made the credit worth nothing in 2016.

Excluding Slovakia’s obsolete policy, the levels were lowest for Ireland (Earned Income Tax Credit) at just over 1% of AW, Belgium at less than 2% of AW and Luxembourg at 0.5% of AW. In contrast, Sweden’s EITC is the highest level at 6.6% of AW for recipients under the age of 65 in 2016⁵⁴. Similarly, in the Netherlands, Denmark, Spain and Italy (PAYE Credit), maximum earned income tax credits were worth above 4.5% of average wage in each country. A middle group of countries’ maximum levels of earned income tax credits were worth between 2% and 4% of AW in Ireland (Employee Credit), Finland, Italy (Self-employed Credit and Fiscal Bonus) and Slovakia’s Child Tax Credit⁵⁵. As these are maximum levels, that *average* earned income tax credit levels in other countries may be less than the flat rate credits in Luxembourg and Slovakia.

Levels were closely tied to household composition in Austria and Spain. Austria’s max earned income tax credit is worth 1% of AW for one child and could be increased by an amount equivalent to 0.5% of AW for each child. The maximum level of Spain’s Working Mother Credit, determined by both earnings and children, was 4% of AW per child, near to some of the in-work cash transfer policies.

⁵⁴ The max level for over 65 is even higher at SEK 30000 or 7.5% AW

⁵⁵ The name of the provision is misleading. Households must be in work to be eligible for the tax credit.

Table 6.2: Comparison of levels of earned income tax credits in EUMS in 2016

MS	Policy	RF	Amounts	Amount /AW (%)
IE	1. PAYE Credit	No	<u>Max</u> : € 1,650	3.6
IE	2. Earned Income Tax Credit	No	<u>Max</u> : € 550 (in 2017 = 950)	1.2
AT	1. Sole Earners' Tax Credit	Yes	Rate based on children: 1: € 494; 2: € 669; 3+additional: € 220	1: 1.1 2: 1.6 3+: 0.5
AT	2. Lone Parent Tax Credit	Yes	Rate based on children: 1: € 494; 2: € 669; 3+additional: € 220	1: 1.1 2: 1.6 3+: 0.5
BE	1. Refundable Tax Credit on Low Activity Incomes	Yes	<u>Max</u> general: € 680; <u>Max</u> working spouse: € 310; <u>Max</u> civil servant: €740	1.5 0.7 1.7
BE	2. Fiscal Workbonus	No	<u>Max</u> €640	1.5
LU	1. Basic Employee Tax Credit	Yes	Flat rate € 300	0.5
LU	2. Tax Credit for Self-Employed	Yes	Flat rate € 300	0.5
NL	1. Work Credit	No	<u>Max</u> €2,220 per year	4.8
NL	4. Income Dependent Combination Credit	No	<u>Max</u> €2,152.	4.6
DK	1. Beskæftigelsesfradrag (EITC)	No	<u>Max</u> general credit max: 28,000 <u>Max</u> extra single provider: 18,800	6.5 4.4
FI	1. Earned Income Credit	No*	<u>Max</u> € 1260	3
SE	1. Earned Income Tax Credit (EITC)	No	<u>Max</u> Under 65 SEK 26 471 <u>Max</u> Over 65 SEK 30000	6.6 7.5
IT	1. PAYE Tax Credit	No	<u>Max</u> € 1880	6.4
IT	2. Self-Employed credit	No	<u>Max</u> € 1140	4
IT	3. Fiscal Bonus	Yes	<u>Max</u> € 960	3.3
ES	1. Working Mother Tax Credit	Yes	<u>Max</u> € 1200 per child	4.2
EE	1. Non-Refundable Credit for Low Income Workers	No	Full credit € 2,736	5.3
SK	1. Child Tax Credit	Yes	Flat rate: €256.92	2
SK	2. Employee Tax Credit (ETC)	Yes	0	0

Notes: 'RF' refundable (yes/no), as per the main data sources of policy descriptions set out in Chapter 3. Source: EU-IWB, authors own calculations of levels as a proportion of average wage using OECDstat (2019b)

Levels were highest for a narrow range of income in Belgium and Italy, indicating resources were targeted similarly to the in-work cash transfers above. Belgium's 'Refundable Tax Credit on Low Activity Incomes' was highest for incomes between €6680 (15% AW) and €17040 (40% AW). A partial (lower) credit could be received by those with net incomes marginally outside of this range. Italy's refundable tax credit, the Fiscal Bonus (aka *€80 bonus*), was highest for employees with earnings below €24,000 (82% AW) and it phases out until a maximum of €26,000 per year (89% AW). Importantly, however, these provisions

are individualised meaning the income reference applies to the individual not the earnings of a couple, unlike the in-work cash transfers above.

Overall, average earned income tax credits were lower than in-work cash transfers, at least in terms of maximum levels, indicating such policies are oriented towards less state dependence than in-work cash transfers. However, maximum levels in Finland, Sweden, Denmark, Netherlands, Spain and Italy are akin to some in-work cash transfers, and, if received by two members in the same household, could be higher than in-work cash transfers outlined above for smaller households. Yet, not all of these provisions actually lead to a transfer, a point we return to below when considering the quality of the state dependency that in-work provisions are oriented towards. The calculations of levels across EUMS also illuminates variation in both how and upon which groups provisions are targeted on across countries, which is considered in relation to the orientation of policies towards qualitatively different forms of state (and family) dependency in the next sections.

6.1.2 Forms of state dependence

The above section outlined variation in the extent to which in-work provisions could, according to policy rules and design features, bring the state into the domain of income maintenance for working households. This section compares the orientation of EUMS' towards qualitatively different forms of state dependence (for income maintenance).

First, the mapping of sub-types comprises an initial picture of the orientation of in-work benefits in EUMS towards qualitatively different forms of state dependence for working households. The sub-types align with the distinction between social or fiscal welfare set out in the theoretical framework, with earned income tax credits constituting fiscal welfare and adjusted unemployment benefits and in-work cash transfers constituting social welfare. Means-testing and conduct conditionality were assumed to be more common to social in-work benefits, and fiscal in-work benefits were assumed to be less invasive in assessing the needs of recipients and privileged form of welfare because of its targeting on higher income groups, and because comprises a less visible form of 'state dependence' than social welfare.

Also, cutting through the fiscal-social dimension, sub-types are proxies of implicit or explicit targeting on the basis of 'in-work' status. In-work cash transfers and earned income tax credits are, by definition, more explicitly targeted on households or individuals 'in work' or with earned income, associated with 'deservingness' and/or a privileged status in some contexts. Whereas adjusted unemployment benefits implicitly target those undertaking paid

work (i.e. the employment status of working recipients is not acknowledged), a target group that is variably construed as undeserving and therefore subject to retrenchment and more punitive reforms⁵⁶.

Considering these dimensions, EUMS' in-work benefits vary as follows: The Nordic regime countries, the most uniform of all EUMS in terms of sub-types, combine fiscal-explicit in-work benefits (earned income tax credits) with social implicit in-work benefits (adjusted unemployment benefits). The majority of Bismarckian countries align with the Nordic format of combining fiscal-explicit in-work benefits with implicit social benefits (Austria, Belgium, Luxembourg, and the Netherlands) as does Spain. In contrast, liberal regime countries and Malta use of both social explicit and social implicit policies. However, Ireland also has fiscal explicit policies also. Malta also followed the main liberal model. The picture is mixed for the remaining EUMS. Five countries had only social implicit policies: Greece, Portugal, Croatia, Slovenia and Germany. The remaining central and eastern European regime countries used fiscal explicit only (Slovakia and Estonia). France and Italy combined social and fiscal in-work benefit policies that were explicit in the targeting of working households.

But how useful are sub-types as proxies for the orientation of EUMS' policies towards qualitatively different forms of state dependence? All in-work cash transfer policies (social-explicit) identified for 2016 are means-tested, with entitlement and eligibility determined by a multitude of factors, including the employment status, earnings, work hours, composition and age of all members within a household. These provisions therefore combine several features that are indicative of a more invasive and potentially stigmatising form of state dependence for working households than fiscal measures. At the same time, the in-work status of recipients was acknowledged in the eligibility rules and in some of the policy names (the English version, at least), thus reinforcing the deservingness status of recipients (relative to out-of-work recipients). Moreover, cutting through policies are eligibility and/or entitlement rules about families, whereby households with more children are entitled to higher benefits. The emphasis on working families and their additional needs in policy design could therefore serve to dilute the stigma associated with means-tested benefits in some contexts. Yet, the specific rules and design features concerning families varies across countries – these are examined in the next section.

⁵⁶ As per the theoretical framework, the explicit targeting of in-work households signals a recognition (and reinforcement), institutionally, of the different status of working households or individuals in the tax-benefit system in some countries.

There are, however, two main exceptions to the assumptions about explicit in-work targeting, which in part reflects issues with the sub-categorisation of in-work benefits for the investigation. First, the UK's move from Working Tax Credits to Universal Credit de-emphasizes 'deservingness' by targeting both in- and out-of-work recipients in one policy (van Oorschot, 2000b)⁵⁷. In this vein, the provision also brings in 'conduct conditions' for working households who must evidence they are seeking to improve their work or pay if it is below a set threshold (Clasen and Clegg, 2007). The limit on levels concerning the number of children also indicates a move away from the emphasis on the need or deservingness of children/ parents. It is therefore the main example of in-work provision oriented towards a punitive relationship with the state for recipients engaged in paid work and their families.

Moreover, Italy's Family Allowances are also for both in- and out-of-work households. While the targeting only on current or former employees (i.e. those in or previously in dependent employment) implies a stronger emphasis on the worker status (and therefore possibly the deservingness) of recipients, the name of the provision does not explicitly reference work, rather the notion of family dependence is emphasized. The targeting of the benefit on low income or disadvantaged families may link receipt of the benefit to stigma (van Oorschot, 2000a). At the same time, for recipients that are currently in employment, the allowances are paid with the wage packet – the social security administration pays the employer if employees apply for the allowance - suggesting an intention to make the receipt of the allowances less like a social security payment and more like wages, as was the case with in-work cash transfers for a period in the UK.

Next, not all fiscal in-work benefits aligned with the assumptions set out above. Notably, earned income tax credits were narrowly targeted in some countries. Provisions were targeted on lower income groups in Belgium and Italy in particular, thus earnings would be tested. Eligibility and entitlement to earned income tax credits were determined by household composition in Austria, Spain and, to a much lesser degree, household composition had some bearing on the entitlement in Denmark, Belgium and Netherlands – these are also set out below. There are also separate schemes for employees and the self-employed in Italy and Ireland that are not narrowly targeted on earnings. The targeting of earned income tax credits is therefore typically on the basis of one characteristic or condition, and not multiple factors, as is the case with in-work cash transfers. Overall, the design

⁵⁷ This argument is advanced in Chrisp and Abbas (forthcoming).

features and position in the tax system (associated with the dignity of work) of earned income tax credits indicate they are less likely to be invasive and stigmatising. Yet, provisions in some countries could be more so than others because of the assessment of earnings and/or household characteristics. This of course could depend on the application process, but it was beyond the scope of the research to investigate this aspect of policy design.

However, another key distinction between countries' earned income tax credits is their "refundability". Provisions in the following countries are refundable, meaning they can result in a transfer (or rebate or refund) for those whose credit exceeds their income tax liabilities: Austria, Belgium (Refundable Tax Credit on Low Activity Incomes), Luxembourg, Italy (80 Euro Bonus), Spain and Slovakia. All or some of the earned income tax credits are non-refundable and therefore cannot reduce the final tax liabilities below zero in Ireland, Belgium (Fiscal Workbonus), Netherlands, Denmark, Finland, Sweden, Italy (PAYE and Self-Employed Tax Credits) and Estonia. The latter group of provisions are therefore closer to a cut in income taxation and could be distinctive, socially and politically, to the form of dependency brought about by the refundable tax credits in the former group⁵⁸. In this vein, non-refundable earned income tax credits effectively 'reduce' citizens' tax liabilities to the state, unless awarded as a refund (i.e. a transfer from the state to recipient) and therefore arguably encapsulate a more indirect form of state dependence than provisions that lead to a transfer from state to the working recipient, even though the cost of provisions are still borne by the state (and the tax-payer). The 'visibility' and perception of a refund as a form of transfer could shape both the experience of receiving it but also its social standing, if it is more apparent that households that receive the refund are receiving income maintenance alongside their earnings.

Finally, turning to implicit, social benefits, adjusted unemployment benefits in EUMS take the form of both contributory and earnings-related benefits (also known as 'first tier'), those for when and those for insufficient contribution records (also known as 'second tier'), and many EUMS combine both contributory and non-contributory benefits. Although the question of how much work and earnings can be received alongside unemployment benefit receipt is addressed in the next chapter, in-work benefits in this form are arguably the most

⁵⁸ Earned income tax credits were used to define a 'no tax area' of earned income, after which tax could be calculated in Italy. Denmark's EITC Denmark is described as a 'general personal allowance, which is converted into a non-refundable tax credit' (OECD Country Report for Denmark, 2018, p20). This raises questions about the social and political distinctiveness of these relative to other forms of income tax instruments.

likely to expose recipients to conditions of conduct, whereby they are required to demonstrate certain behaviours and attitudes in order to be eligible for the benefit and face punitive responses for non-compliance.

As per the framework, social in-work benefits run the risk of being more invasive, in terms of for example the monitoring of behaviours and means-tests, and punitive, in terms of punishing what are considered to be wrong behaviour, including inaction in searching for work. Such features are increasingly common to unemployment benefits, and thus in-work benefits are ‘within’ these, the form of dependence on the state they represent may be very different to those a minimally invasive form of earned income tax credit.

Research systematically comparing the ways and extent to which conditionality requirements in unemployment benefits are demanding for recipients in OECD provides a means for assessing the possible dependency relationship that those combining part-time work and unemployment benefits are likely to enter (Immervoll and Knotz, 2018). Two relevant indicators developed for comparing countries – the strictness of requirements for unemployment benefit recipients to document their job search activities (invasiveness) and the severity of sanctions (punitive) – are displayed for all countries with ‘adjusted unemployment benefits’ in Table 6.3. For example, provisions appear to be more invasive/demanding in the UK, Sweden, France and Malta, but more punitive in Portugal, Greece and Slovenia. Interestingly, there is little difference between the differently tiered benefits on key indicators (Immervoll and Knotz, 2018). Thus, the distinction between tiers of benefits may not be salient in terms of understanding the dependency orientation of adjusted unemployment benefits in EUMS. Yet, it may matter more for the degree of state dependence (levels).

However, the inclusion of these provisions in the initial mapping rested on a low bar in terms of the inclusion criteria specifying policies must have at least one of the “in-work levers” set out in the previous chapter. The subsequent analysis in Chapter 7 is dedicated to systematic comparison of the levels and types of earnings of work that can be carried out alongside receipt of unemployment benefits, as a means of assessing whether they constitute de-facto in-work benefits.

Table 6.3 Overview of possible in-work benefits in EUMS (adjusted unemployment benefits) and their conditions

MS	Scheme	Type	Documentation of job search	Sanction score
IE	Jobseeker's Benefit	Tier 1	3	2
IE	Jobseeker's Allowance	First lower tier	3	2
UK	Jobseekers Allowance (Contribution Based)	Tier 1	5	3
UK	Jobseekers Allowance (Income Based)	First lower tier	5	3
FI	(Adjusted) Unemployment Insurance	Tier 1	3	2.5
FI	(Adjusted) Basic Unemployment Allowance	First lower tier	3	2.5
FI	(Adjusted) Labour Market Subsidy	Tier 1	3	2.5
SE	Income Related Unemployment Insurance	First lower tier	4	1
SE	Basic Unemployment Insurance	Tier 1	4	1
FR	Unemployment Insurance (ARE)	First lower tier	4	1
FR	Unemployment Assistance (ASS)	Tier 1	4	1
DE	Arbeitslosengeld (ALG I)	First lower tier	3	1
DE	Grundsicherung für Arbeitslose (ALG II)	Tier 1	3	1
LU	Unemployment Insurance	Tier 1	4	5
NL	Unemployment Insurance (WW-uitkering)	Tier 1	2	1
NL	Supplementary benefit (SW)	Add on	-	-
MT	Special Unemployment Benefit (assistance)	First lower tier	5	4
ES	Unemployment Insurance	Tier 1	1	3
ES	Unemployment Assistance	First lower tier	1	3
PT	Unemployment Insurance	Tier 1	3	5
PT	Unemployment Assistance	First lower tier	3	5
EL	Unemployment Insurance	Tier 1	1	5
HR	Unemployment Insurance	Tier 1	3	2
SI	Unemployment Insurance	Tier 1	3	5

Notes: Classification of schemes according to tier for 2017 from Immervoll and Knotz (2018). Items 5 (Documentation of job search activities) and Item 8 (Sanctions -first refusal of job offer) also from Immervoll and Knotz' (2018). Policies scores from 1 (most lenient) to 5 (most strict).

6.1.3 *Summary and context*

There is considerable variation among EUMS in the orientation of provisions towards different degrees and forms of state dependence. Overall, the fiscal-social and explicit-implicit, distinctions captures broad differences across provisions, but they are not perfect proxies for the orientation of in-work benefits towards qualitatively different forms of state dependence. For example, there was variation among the countries with earned income tax credits in the orientation of provisions. Higher maximum levels, less targeted and non-refundable fiscal-explicit in-work provisions were found in the Nordic countries and, to some extent, the Netherlands, which helps to interpret the variance in expenditure in the previous chapter.

Although the differences in approaches are stark, the significance of this variation in terms of what it means for the qualitative and quantitative dependency relationship recipients of these policies have with the state, is hard to gauge without consideration of the institutional context in which they are used. For example, the more universal and higher level earned income tax credits could be, on the one hand, in keeping with some of the principles of social provisions in the social democratic countries in which they were most common (e.g. avoiding stigma and fostering solidarity). At the same time, they could be used to reduce taxation in these systems and/or be seen to privilege working households, thus potentially at odds with the logics and institutional arrangements of these contexts (e.g. reducing solidarity and the fiscal base for more universalist social policy). However, the composition of direct and indirect (e.g. social security contributions) and the financing of social policies varies across European welfare states e.g. Denmark's welfare state is financed mainly through general taxation, whereas other Nordic countries combine personal income taxation (which albeit is high at the top rate at least) with social security contributions (European Commission, 2019).

Similarly, Ireland and Italy's combination of in-work cash transfers and earned income tax credits could suggest these countries straddle objectives concerning (large) working families and adjusting financial incentives in the tax system. In terms of taxation, the starting point for these countries is different, with Ireland's 'tax wedge'⁵⁹ being among the lowest in EUMS, and Italy's being among the highest⁶⁰. The high tax wedge in Belgium, especially

⁵⁹ OECD (2020), "Taxing Wages: Comparative tables", OECD Tax Statistics (database), <https://doi.org/10.1787/data-00265-en> (accessed on 23 February 2020).

⁶⁰ The average 'tax wedge' for a sole-earner married couple with average earnings and 2 children was 16.9% in Ireland in 2016 and 38.59% in Italy. For different households types, the tax wedge for Italy and Ireland is also relatively far apart.

for lower earning single households, is potentially a reason for targeted tax credits (on lower earnings) in this context. Although targeted, the fiscal nature of this provision implies a different orientation in terms of the form of state dependence than, for example, targeted social provisions. Italy also has a fairly high tax wedge for low income workers and thus that could help to make sense of the use of a targeted fiscal instrument in this context.

Moreover, how stigmatising an invasive means-tested in-work cash transfers and the adjusted unemployment benefits are in the countries where these approaches were prevalent (e.g. is likely also to vary by the institutional context in which they are used and the ways in which they are implemented). Despite an overall move towards more demanding and punitive requirements over a longer period, as we saw above, unemployment benefits are variably demanding across countries and punitive across EUMS (Immervoll and Knotz, 2018, p.16). The next section looks in more detail at the rules and design features that illuminate the varied emphasis on familial interdependence in EUMS' in-work benefits, including those that were common to in-work cash transfers.

6.2 In-work benefit policy orientation: family

The previous sections indirectly picked up on the orientation of policies towards different degrees and forms of dependence among family members. This section sets out the relevant rules and design features to further examine variation in the orientation of in-work benefits on this dimension.

6.2.1 Individualised or household

The table below (6.4) sorts the in-work cash transfer and earned income tax credit policies identified in the 2016 mapping according to whether the 'benefit unit' (i.e. the unit at which entitlement and eligibility is assessed) is at an individual or a household level, a key indicator of the orientation of in-work benefits towards different degrees and forms of dependence on the family. This provides the starting point for the comparison of policy rules and designs, which focuses predominantly on the household provisions, as the individualised provisions are more clearly oriented towards independence. As we saw above, household provisions include all of the in-work cash transfers in EUMS and earned income tax credits in five countries. In addition, earned income tax credits in Denmark and Belgium have some relevant rules concerning the family of the main recipient that are discussed here. Note that some countries have both individualised and household earned income tax credits.

Table 6.4: Household and individualised in-work provisions in EUMS (2016 only)

Provision type	Individualised	Household
IWCT		IE, UK (x2), FR, IT, MA
EITC	IE (x2), IT, <i>BE</i> (x2), EE, DK, FI, LU, NL, SE	AT (x2), NL, ES, SK, NL

6.2.2 *The features of household policies*

First, there is a strong emphasis on inter-family dependence in in-work cash transfers in all EUMS. Across all in-work cash transfers, in-work targeting intersected with family-based criteria and rules. These are summarised in Table 6.5. As the summary shows, only in Ireland and Malta was eligibility to in-work cash transfers wholly dependent on households having dependent children. However, households without children were not eligible for the UK's Working Tax Credits if under the age of 25. There were also different definitions of dependents across countries. In Malta those under the age of 23 count as dependents for the assessment of benefits. In Ireland, children are defined as those under 18, or 22 if in full-time education. The rules are less encompassing for young people in the UK, as dependents for purposes of calculating entitlements are those under the age of 16.

Italy's Family Allowances are for employees with dependents, however, the rules around dependents are much broader, and include the spouse, children and grandchildren of direct ascendant, if they are under 18. However, across all provisions, even where households without children are eligible, income thresholds determining eligibility and benefit levels are typically higher for households with children.

Moreover, EUMS' in-work cash transfers are more favourable towards or indeed require both members of a couple to undertake paid work. One-earner couples are eligible for in-work benefits in Malta, Italy and France. In Malta, the maximum amount for one earner families is, however, considerably lower. Additional elements or higher benefit levels are in provisions in Malta for dual earning households. Lone parents are also eligible for all in-work cash transfers

Table 6.5 Family-specific rules within in-work cash transfers

Country	Policy	Familial rules and design features
Ireland	Family Income Supplement	Eligibility: Households with children only. Earnings limits set by family size, increasing with each child up to 8 children. Levels: increase with children. Couples and work: 38 hours/fortnight, can be split in between couple.
UK	Working Tax Credits	Eligibility: Under 25s not eligible unless has child. Couples and work: Couple with 1+ children at least 24 hours, with 1 in couple working at least 16 hours.
France	Activity Allowance	Eligibility: Earning limits lowest for single person without child (€ 1500/month) and highest for couples with children where both parents work (€ 2900/month). Income limit the same for: lone parents, 1 earner couple without children, and 1 earner couple with children (€2200/month). Levels: Higher benefit for households with children. Individual work bonus (approx. 67€/month) for each family member is capped for each member.
Italy	Family Allowances	Eligibility tied to dependents and earnings: Scheme covers households with dependents (not necessarily children) as well as orphaned, separated and divorced and widowed recipients. Income threshold higher for households with more dependents and parents. Levels: Varies with number of dependents. Increased for lone parents (with dependent child) and couples with children where both parents are working.
Malta	In-Work Benefit	Child-based eligibility: Families with both parents in work with children under 23. Single parents with children under 23. From 2016: Families with one parent in employment with children. Levels: increase with children. Higher levels for lone parents. Levels considerably lower for one earner households. Couples and work: annual earnings/ net profit from a couple with one working below part-time cannot be below €3000.

Sources: OECD reports 2016 apart from Ireland (2017); EUROMOD reports 2015 – 2018 tax benefit systems. Notes: Policies contain additional rules and amounts for disabled recipients, but it was beyond the scope of the study to include these.

Table 6.6 provides an overview of family-based rules and design features in EUMS' EITC. All schemes are oriented towards households with children, but there are also seemingly different objectives concerning the worker model of households.

Table 6.6 Overview of family-based rules and design features in EITCs

Country	Policy	Additional entitlement/eligibility criteria
Austria	Sole Earners Tax Credit	Eligibility: Single earners with children liable to tax who are married or cohabited for more than 6 months/year. Income of spouse must not exceed €6000/year. Levels: higher with more children.
Austria	Lone Parent Credit	Eligibility: Lone parents liable for tax with maintenance obligations towards children. Eligibility based on eligibility for family allowance. Cannot cohabit for more than 6 months a year. Levels: higher with more children.
Belgium	Refundable Tax Credit on Low Activity Income	Calculation of levels: Married couples taxed jointly, there is a maximum amount for the co-working spouse
Netherlands	Income Dependent Combination Credit	Eligibility: Single parents or partner with the lowest income. Children below 12. Earnings from work must exceed € 4881 per year.
Spain	Working Mother Tax Credit ⁶¹	Eligibility: Working mothers with 1+ children below the age of 3 with contributions over the level of the tax credit. Levels: 1,200 per year, per child.
Slovakia	Tax Credit on Dependent Child	Eligibility: One parent of a dependent child only if they are employed or self-employed and earned/ gross revenue at least 6x minimum wage in a year.

Sources: OECD reports 2016 and EUROMOD reports for 2015 – 2018 tax benefit systems.

First, Austria's Sole Earners Tax credit allows for the spouse to be undertaking a minimal amount of work capped with an earnings threshold and is arguably more oriented towards a breadwinner model. Spain's Working Mother Tax Credit is specifically for working mothers with young children (under the age of three)⁶². The earnings of other members of the household are not affected by the benefit, and such the emphasis appears to be on encouraging the labour market participation of mothers with young children. Slovakia's Tax Credit on Dependent Child can only be received by one parent with earnings at least six

⁶¹ Spain also has a working tax credit for single parents and large families.

⁶² In Slovakia's tax system, the age classification of a dependent varies from 16 to 26 if they have not yet finished post-secondary education in 'an approved institution'.

times the minimum wage. The main beneficiary can change hands (e.g. between members of a couple). Yet, the provision is clearly oriented towards interdependence among members of a household. Moreover, Netherlands' provision is only for single parents or one earner in a couple with earnings above a threshold of EUR 4881 with the maximum level of the credit reached at earnings of EUR 32,970. The provision for one earner couples appears therefore to be oriented towards at least a 1.5 model for the family.

Moreover, Belgium's Refundable Tax Credit on Low Activity Incomes also includes an element for the spouse of the main recipient, if they are working, at a much lower level. This implies that only one member of a married couple can be eligible for the full benefit, a variant of the design for Slovakia. There were also special provisions for single-parent households. For example, Denmark's EITC includes an additional element for single providers (lone parents), which was introduced into the policy in 2014. In addition, Austria's Lone Parent Tax Credit and the Netherlands' Income Dependent Combination Credit were either solely for or incorporated lone-parent households.

6.2.3 *Summary and context*

In the trade-off between work incentives and redistributive aims, household provisions are generally understood to be more oriented towards the latter, specifically poverty alleviation, and individualised provisions better oriented towards employment objectives, especially for second earners (Immervoll and Pearson, 2009). As well as the broader distributional outcomes, however, household in-work benefits can serve to restrict the labour market participation of the second earner, which is typically women, thus potentially exacerbating gendered inequalities in terms of women's labour market participation and the extent to which women are potentially more dependent on other members of the household (and the state).

The design of in-work cash transfers in most EUMS indicated a particular concern with directing resources towards households with greater needs in the form of more children. The implications for 'work incentives' for women/ second earners was harder to gauge from these details but most policies had in place rules that meant levels were higher if both couples were participating in work. It is not clear, however, from this analysis what this means for the share of work between members of a household e.g. whether they encourage a 1.5 earner model or adult worker model. The overarching conclusion to be drawn about these provisions is they bring the state into the domain of direct income maintenance in a way that

is oriented towards the sharing of resources among members of a household. Earned income tax credits were predominantly individualised and not targeted on specific family types, possibly reflecting individualised taxation systems and an emphasis on employment objectives. Earned income tax credits were targeted on specific household types in a small number of EUMS, including lone parent households (a group often seen as being most in need and increasingly a target of activation reforms). Yet, some policies seemed to be more oriented towards one earner or 1.5 earner households.

Household provisions may therefore be employed in context where levels of in-work poverty for households with dependent children is a socially or politically salient issue. But they may also reflect other social and political interests concerning family models and women's labour market participation. Looking at in-work poverty for households with and without dependent children in contexts with either in-work cash transfers or earned income tax credits illuminates a number of possible links between context and the family-orientation of in-work provisions. Rates for households with dependent children (blue bar) and without (orange bar) are displayed in Figure 6.1 for countries with earned income tax credits or in-work cash transfers for 2016. The difference between the in-work at-risk-of-poverty rate for households with and without children is also shown (grey bar).

Most countries with in-work benefits administered at the household level have higher rates of in-work poverty among households with dependent children e.g. Spain (16%), UK (10%), Slovakia (9%), Malta (8%), France (9%) when compared with countries with individualised provisions e.g. Denmark (5%), and Finland (3%). The exceptions to this are Luxembourg, which has high rates of in-work poverty among households with dependent children (13%), but individualised earned income tax credits and; Ireland, where the risk of in-work poverty for working households with dependent children is relatively low (5.4%) but both individual and household provisions are in place. The Netherlands also has both household and individualised provisions and with a moderate risk of in-work poverty for households with dependent children.

Second, countries where there is a greater difference in the in-work poverty risk between households with dependent children and households without dependent children are also more likely to have household/family in-work provision. For example, the first seven countries from the left have in place household provisions.

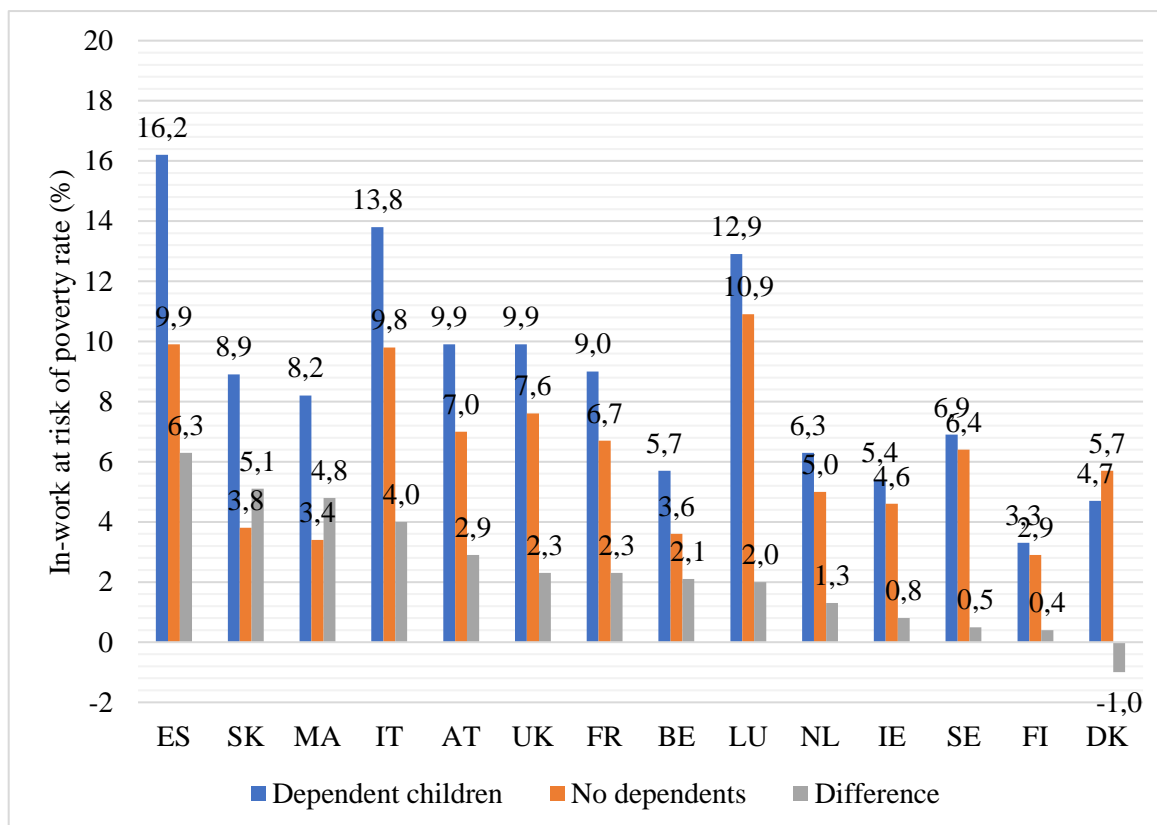


Figure 2.1 Risk of in-work poverty for households with and without dependent children (2016)

Notes: Countries with earned income tax credits and in-work cash transfer, ordered by difference between rate of in-work at risk of poverty for households with dependent children and those no dependent children (grey bar). Data: Eurostat (2020b): At-risk-of-poverty rate of households with at least one dependent child by work intensity

Third, the countries with the largest gap in the in-work poverty risk between households with and without dependent children are also those that with in-work benefits with child-based *eligibility*. For example, Spain has the largest gap of these countries and all of its provisions are targeted on households with dependent children. Slovakia and Malta have the second and third largest ‘gap’ and provisions are solely for working households. At the other end of the chart, households with children in Denmark are less likely to be at risk of poverty than those without and the gap is very small in Finland and Sweden.

As with the context presented in the previous chapter, there are multiple possible interpretations and the limits to the in-work benefit data should be kept mind. However, it could suggest that in these countries, the wider institutional arrangements, including supports for households with children that are not tied to in-work status, may be effective at limiting the risk of poverty among these households, thus making in-work benefits more likely to be oriented towards individual work incentives over redistribution. In contrast, in contexts

where the risk of poverty is high for working households with children, the context may be one where certain kinds of social expenditure or reform e.g. universal child provisions/ services and/or wage regulation, is constrained, and tying eligibility to income support policies to in-work status is a feasible route policy makers go down in an effort to reduce risks. On the other hand, the way these factors are influenced by in-work policies, and vice-versa, could be different across contexts. The association between poverty risks for certain groups (and inequalities between them) and differently oriented in-work benefits is one that could be explored in individual cases.

6.3 Conclusion

This chapter presented the parts of the empirical investigation that compared the orientation of in-work cash transfers and earned income tax credits to different degrees and forms of state dependence for working households, focusing mainly on the in-work cash transfer and earned income tax credit policies for 2016 in EUMS. It also discussed the possible use of unemployment benefits as de facto in-work benefits and considered the conditionality regime applied to these benefits that could also apply to the working recipients in receipt of these benefits. The limitations of the analysis, including the operationalisation of the framework with the available data, are discussed in Chapter 9. A key limitation is that the analysis focuses on policy rules and design in isolation. The interaction of policies with the national context could lead to effects that differ to the orientation of policies e.g. some countries may have additional provisions that foster financial independence among members of a household. Even still, the rules and design features of policies provide one means of understanding policy intention, which can be examined further in future research.

Nevertheless, the findings highlight some broad contours in the models of in-work benefits in use in EUMS. First, in addition to the relatively high expenditure identified in these countries (bar Finland, which was excluded from the analysis), earned income tax credit policies in Denmark, Finland and Sweden, as well as the Netherlands, all appear to be similarly oriented in terms of the degree of state dependence. Maximum levels of benefits were among the highest in EUMS. Provisions were more universal; eligibility was not restricted to specific employment relationships or household types. They are also non-refundable and thus do not lead to a transfer. They were also mostly individualised i.e. oriented towards independence among members of a household/ family unit. If the theoretical assumptions in the literature hold, the in-work provisions in these countries are

likely to be less invasive (because there are fewer eligibility requirements), less visible (because of the lack of transfer) and less stigmatising (because of the universalism) form of in-work support than means-tested in-work provision delivered through the social security system, for example. They also appear to be oriented towards adult worker model in most cases. Experientially and politically, this could constitute a ‘privileged’ and solidaristic form of in-work support, received by a much wider base.

This grouping of countries is also salient as it aligns with Esping-Andersen’s (1990) social democratic regime and some of the principles and/or technical aspects of policy associated with income maintenance in this regime historically follows through into in-work benefits e.g. universalism and individual activation. At the same time, there may be paradox, in that these ‘tax cuts’ could be seen to erode the fiscal base to support these principles (and redistribution) and feed into the slow upward trend in inequalities in Nordic countries (Aaberge et al., 2018). Moreover, these countries also had in place ‘adjusted unemployment benefits’ so the analysis in the next chapter will add to our understanding of the overall approach in these countries.

The Netherlands also deviates from this model somewhat in that one of the groups eligible for its Income Dependent Combination Rebate are second earners with income over a set range in households with children. If the second earners are women, this could, on the one hand, disincentivise earnings above a certain level and could be oriented towards a 1.5 earner model, with implications for gender equality. Indeed, part-time work accounts for a substantial amount of female employment in the Netherlands⁶³ and the Netherlands has a historical legacy of a male breadwinner model (Hartog and Salverda, 2018). On the other, however, the explicit goal tied to the policy is that it is intended to encourage parents to take up work in line with a broader activation logic, and female labour market participation in the Netherlands was historically lower than the Nordic countries but it began to catch up from 2012, indicating of a social and possibly a policy shift that these provisions could be a part of.

Another group of countries were those with targeted earned income tax credit schemes. The earned income tax credits were targeted either more narrowly on earnings (all in Belgium, one in Italy and Slovakia) or on household types (e.g. Austria, Spain, Netherlands). With the exception of Spain, maximum earned income tax credit levels were also much lower than

⁶³ In 2016, 76% of all female employment was part-time (26% for men). However, men’s part-time employment grew more rapidly between 2001 and 2016 than women’s part-time employment (Hartog and Salverda, 2018).

the Nordic provisions, but they were refundable, thus the policy may be more ‘visible’ in experiential and social terms for the recipient and the association with ‘welfare’.

The specific targeting of these policies could be significant with respect to policy legacies. On the one hand, this could be seen to reinforce past logics, e.g. there appeared to be a continuation of conservative policy logic in Austria’s sole earner credit in the possible reinforcement of a male breadwinner model. On the other hand, provisions could be interpreted as tool that resemble a (partial) break with previous logics e.g. Spain’s Working Mother Tax Credit with its emphasis on women’s activation after childbirth.

Third, France, Malta, Ireland and the UK (in the case of its outgoing benefit, Working Tax Credits) were alike in their use of the social security system to explicitly target mainly working families through means-tested benefits, which were also typically combined with adjusted unemployment benefits. Again, questions remain about the latter but the use and design of explicit social and means-tested in-work benefits in these contexts implies some overlap in logics about dependence on the state and but the reliance on the family, especially among low-income working families with children. The testing of resources among members of a household and the higher levels for households with children are indicative of a strong needs-based logic underpinning these provisions; features which are also more associated with stigma and invasiveness. In the UK and Ireland, this would indicate path-dependence, but not in France, as Vlandas (2013) argued.

Deviating from this model slightly, Ireland also had earned income tax credits, which are individualised and broad in coverage of income groups. However, these are non-refundable, and, like the Nordic provisions, could be part of a broader agenda to reduce income taxation and retain the use of the tax system to provide benefits to working households more broadly. Italy somewhat resembles Ireland in its combination of explicit fiscal and explicit social in-work benefits. It also has non-refundable earned income tax credits for employees and the self-employed that appear to be more about broader taxation of income. Italy’s Family Allowances are also only for employees and their dependents. In line with the political economy of southern European welfare states, Italy has a broad definition of dependents of employees e.g. to include grandchildren. Family Allowances therefore emphasize the wider family as a source of welfare (Papadopoulos and Roumpakis, 2013).

The fourth group largely depends on the further investigation into adjusted unemployment benefits. At the moment, the UK with Universal Credit, is the main country belonging to this

group – which uses the social security system to blur differences between in and out of work households and constitutes a punitive dependency relationship between the state and working households. It also goes against the redistributive logic in other social in-work benefits in terms of curbing entitlement to larger families. If adjusted unemployment benefits are used as de facto in-work benefits in some countries, and conduct conditions are applied to in-work groups, they may also be seen as applying this punitive form of state dependence. The EUMS with ‘social implicit’ (i.e. unemployment benefits) - Greece, Portugal, Croatia, Slovenia and Germany – could therefore also belong to this group.

These four approaches and associated EUMS are to be revisited and built upon in the next phase of the investigation focusing on the labour market orientation of policies.

7 THE ORIENTATION OF IN-WORK BENEFITS IN EUMS: LABOUR MARKET

The findings in Chapter 5 indicate that in certain national contexts in-work benefits have coincided with a weakening of institutions that are broadly understood to maximise (some) workers' rights and protections, but the patterns are by no means uniform across countries. The analysis in Chapter 6 of the orientation of policies towards different forms and degrees of dependence on the state and families, further illuminated some of the seemingly different logics underpinning in-work benefits in EUMS relating to these forms of dependency. While some researchers, using a different lens, similarly point to varied rules and design and form of in-work benefits, there is a general assumption that such policies are targeted on labour market outsiders⁶⁴.

This chapter interrogates this assumption by examining the orientation of in-work benefits towards different forms and degrees of 'labour market dependence'. The main aim of the chapter is to compare the kinds and amounts of work and earnings in-work provisions 'top up' or 'subsidise'. In other words, it asks: What is 'work' in in-work benefits?

Exploring this question, this chapter presents a systematic cross-national and regime level comparison of how much work (e.g. levels of earnings and work hours) and what kinds of work (e.g. self-employment or dependent employment) these policies are oriented towards. Attention is also paid to restrictions and rules concerning the labour market participation within households (e.g. limits on spouse earnings/ work hours), as these can shape the extent to which individuals within a household or family unit participate in paid work. The analysis includes all 20 EUMS with one or more of the in-work benefit sub-types identified in the mapping exercise for 2016.

The analysis is structured so that the details of policies are examined first, drawing out the nuanced forms of variation across countries' provisions. This information is also condensed into composite indicators of the labour market orientation of in-work policies towards standard and non-standard work. To this end, policy features are scored using sub-indicators measuring the orientation of in-work benefits regarding work and earnings, which are summed and weighted based on theoretical importance, to generate composite indicators of the orientation of in-work benefits towards different kinds of labour market dependency

⁶⁴ Different arguments are associated with this claim, including whether provisions alleviate or exacerbate the risks faced by labour market outsiders.

relationships. The findings are contextualised again applying a welfare regime framework as a heuristic device and using indicators and secondary sources on the structure of European labour markets.

The chapter precedes as follows: Section 7.1 outlines how the labour market orientation of in-work policies was conceptualised for this analysis. Section 7.2 describes the range and balance of work and earnings restrictions and rules concerning employment status, work hours, earnings and other restrictions that make up the sub-indicators of the labour market orientation. Section 7.3 compares in-work benefits across countries and regimes based on the three composite indicators of ‘labour market orientation’ for each sub-type. Section 7.4 contextualises the analysis with reference to the labour market context in EUMS. Section 7.5 concludes, highlighting three main points to be followed up in Chapter 8.

7.1 Facilitating non-standard work? The labour market orientation of in-work benefits

Risks and inequalities in post-industrial labour markets are commonly associated with the prevalence of forms of non-standard work, typically defined as work that deviates from the ‘standard’ of full-time, permanent work, including in part-time work, fixed-term contracts, temporary agency work and self-employment without dependent employees (Schmid, 2010). Concepts such as precariousness, labour market dualization and segmentation refer to the risks some workers are exposed to, usually in comparison to other workers in the same context, and the inequalities this produces. Such concepts although often referring to non-standard or standard work, consider a wide range of risks, including in pay, the role of social protection and other institutions, skills development and re-training opportunities that reinforce or alleviate divisions (Kretsos and Livanos, 2016; Rubery et al., 2018; Rueda, 2014). These concepts provide more nuance, as not all forms of non-standard work are insecure (and vice-versa), and this is context dependent.

The first part of the analysis presented in this chapter is fine-grained enough to capture the nuances of the targeting of in-work policies, considering a range of features and rules, that could be used to situate in-work benefits with respect to distinctive patterns of labour market inequality in individual contexts. The second part of the analysis, however, necessarily simplifies these idiosyncrasies by scoring policy features on whether they orient the benefit (recipient) towards ‘standard’ (0) or ‘non-standard employment’ (1). These are defined with reference to earnings, employment status/ relationship, and work hours. Figure 7.1 represents

a stylized overview of the framework. For example, if eligibility to an in-work cash transfer was restricted to employees only, it would be scored as being oriented towards standard employment on that indicator (a score of 0). Policies restricting access to the self-employed would receive a score of 1, and those where there no restrictions on employment status would receive a score of 0.5. The multiple components of features make up the final score so, if two policies were oriented towards non-standard employment as a self-employee but one restricted earnings to a very low level and the other could be received by those with moderate earnings, the former would receive a higher score.

0		1
Standard-orientation		Non-standard orientation
Employees	No rules employment status	Self-employment
Substantial lower limit on earnings	Low to mid earnings (upper and lower limits)	Tight upper limit restrictions on earning/ no minimum
Substantial lower limit on work hours	Part-time work hours	Tight upper limit restrictions on work hours/ no minimum
Work and earnings not restricted within household		Work and earnings restricted within household

Figure 7.1 Stylized overview of the orientation of in-work benefits towards standard and non-standard work and key features (labour market dependency)

This framework could also be characterised as a distinction between insider- and outsider-oriented in-work benefit policies, but as per the literature above, this depends on the national context. For example, policies are considered to have a strong standard (insider) orientation if access is restricted to employees working full-time, and a strong non-standard (outsider)

orientation if they are exclusively for temporary service workers with very minimal earnings. The findings are thus contextualised in the final part of the chapter.

Ideally, there would be one indicator for all policies i.e. using equivalised measures so that a score of 1 for earned income tax credits represents the same labour market orientation as a score of 1 for adjusted unemployment benefits. However, there is a separate composite for each of the three main sub-types because of institutional idiosyncrasies across the provisions included in the analysis, as well as the variation in the data.

For example, many adjusted unemployment benefits contained eligibility rules about maximum hours of work whereas in-work cash transfers were more likely to contain eligibility rules about minimum hours of work. Yet, the analysis of all provisions follows the same broad framework, facilitating the subsequent comparison of sub-types across countries and regimes, and allowing us to build a picture of the orientation at the country level. The sub-indicators, scoring system, weights and method for calculating the composite indicator are detailed in Chapter 4, Section 4.4.3, for each sub-type of in-work benefit.

7.2 What is ‘work’ in in-work benefits?

This section describes the range and balance of restrictions and rules within in-work benefits concerning work and earnings that underpin the three composite measures of labour market orientation, discussing each sub-type in turn. This part of the analysis engages in more depth with multi-faceted ways policies vary that is necessarily simplified in the analysis of the composite indicators in Section 7.3.

7.2.1 *In-work cash transfers – sub-indicators of work orientation*

First, Table 7.1 provides an overview of the rules and design features that make up the composite indicator of the labour-market orientation of in-work cash transfer policies identified in 5 EUMS’ in the initial mapping exercise presented in Chapter 5. This includes rules and features concerning the employment status, working hours, earnings of the main recipient, and the work hours or earnings of the spouse or partner of the main recipient. Unweighted scores for each sub-indicator are also shown.

Across all in-work cash transfer policies, there was not a clear orientation towards (very) non-standard or (very) standard labour market participation. Most policies specified a minimum threshold of work hours or earnings to be eligible for the benefit. Eligibility was also mainly capped around the level of average wages in each country. There were however

other ways in which policies varied which could be significant in terms of offsetting of exacerbating labour market inequality in EUMS.

Starting with employment status ('a'), eligibility to the schemes in Ireland and Italy were restricted to employees only. In contrast, both employees and the self-employed were eligible for in-work cash transfers in the UK, France (Activity Allowance) and Malta, indicating no clear orientation towards standard or non-standard employment in terms of the employment status of recipients.

A feature unique to Liberal regime countries' in-work cash transfers was the restriction of entitlement based on work hours ('b'). Provisions in Ireland and the UK included minimum working hours requirements which meant that workers undertaking (very) marginal work (i.e. less than approximately 2 days per week of work), would not be eligible. In the UK, eligibility to WTC requires minimum working hours of up to 16 to 30 hours per week, depending on the household type. Ireland's Family Income Supplement requires recipients to work at least 20 hours per week or 38 hours per fortnight to be eligible for the benefit.

The use of minimum working hours requirements indicates policies were more explicitly oriented towards workers that were low-paid, rather than workers with low income because of working fewer hours. However, minimum working hours requirements in the liberal provisions also vary according to household composition. Single households with children were required to work a minimum of 16 hours per week and the higher work hours requirements of 24 hours per week applied to recipient households containing two adults of working age, whereby the work of both contributed towards the work hour requirements.

Universal Credit (UK) also included requirements based on minimum work hours, but these were not within the eligibility rules as the benefit combines both in and out of work benefits. Instead, there are requirements for certain household types to increase their work hours or earnings up to the level of full-time at minimum wage. As a lack of compliance could lead to sanctions in Universal Credit, it is the only in-work cash transfer in the study where near full-time working hours or hours searching for additional work are enforced through punitive mechanisms. Despite an emphasis on full-time hours for many household types, recipients are encouraged to combine multiple part-time or temporary jobs to meet the hours or earning thresholds. Therefore, despite 'standard' work hour requirements, the policy is not necessarily oriented towards 'standard' work as a full-time employee.

Table 7.1 Labour-market orientation of in-work cash transfers in 2016, sub-indicators scores (unweighted)

Regime	MS	Provision	(a) Status		(b) Work hours min		(c) Phase in		(d) Phase out		(e) Earnings min		(f) Average wage		(g) Partner earnings		(h) Partner hours	
Liberal	IE	Family Income Supplement	E only	0	20 hrs/ week, 38 hrs /fortnight	0.5	No	1	60%	0.75	No	1	Varies with hh	0.5	Yes	1	Yes.	1
	UK	Working Tax Credits (WTC)	E or SE	0.5	16 to 24 hrs/week	0.5	No	1	41%	0.5	No	1	Varies with hh	0.5	Yes	1	Yes	1
	UK	Universal Credit (UC)	E or SE	0.5	35*	0	No	1	63%	0.75	Yes *	0	Varies with hh	0.5	Yes	1	Yes	1
Bis-marckian	FR	Activity Allowance	E or SE	0.5	No	1	No	1	80%	1	No	1	49 - 95%	1	Yes	1	No	0
Southern	IT	Family Allowance	E or former E	0	No	1	No	1	-	NA	No *	0	Yes**	0	Yes	1	No	0
	MA	In-Work Benefit	E or SE	0.5	No	1	Yes	0	20 - 30%	0.25	Yes	0	No	1	Yes	1	No	0

Notes (General): Author's own analysis of policies. See Appendix A for data sources. 'E' = employees; 'SE' = self-employed. Darker blue = stronger non-standard orientation. ' . ' missing
Notes (Specific countries): UK: There are no minimum work hours in Universal Credit, but recipients required to earn equivalent to 35 hours @ minimum wage. IT: Phase out depends on household type and children and is a step-wise decreasing function of household income; no minimum earnings data but description states that least 70% of income must be from employment for working recipients. IE: Analysis uses 2017 data due to missing 2016 data.

While there were no minimum working hours requirements for in-work cash transfers in Malta, Italy and France, all provisions included rules concerning minimum earnings ('e'). These could have a similar effect of requiring a minimum degree of labour market participation. For example, eligibility for the working recipients of Italy's Family Allowances required at least 70% of their income to be from employment. Although the exact amount was not specified, the level of earnings would therefore need to be sufficient to be topped up with other sources of income, instead of earnings being a secondary or supplementary source of income. The provision also included a financial incentive mechanism regarding working hours, in that the benefit was reduced if recipients work part-time, which implied an orientation towards standard employment.

It was not possible to calculate the level of earnings at which in-work cash transfers were the highest, partly because entitlement is affected by multiple factors. Instead, the analysis looked at the rate at which the benefit is withdrawn as earnings increase, or 'phase out rate' ('f'). More gradual phase-out can widen the earnings range determining eligibility, and thus reduce the non-standard orientation of the in-work benefit. Comparing across countries, France's phase-out was considerably steeper than the rest at 80%, followed by the UK's Universal Credit (63%) and Ireland (60%). The steeper phase-out in the UK's later in-work benefit implies the benefit would be withdrawn more quickly as earnings increased, even though the requirements to work more hours (and therefore earn more) had increased and were backed up with conditionality (Millar and Bennett, 2017).

Yet, in addition to the steepness of the phase-out rate, the amount of earnings at which the benefit was phased out also determined the range of earnings of recipients⁶⁵. This was calculated with reference to the average wage for each country. The UK and Ireland were the same in that households with earnings above and below average wage, depending on composition, were eligible for the benefits in these countries, with maximum earnings capped at approximately 150% of AW for FIS. However, in Malta and France, those with earnings between approximately 50% of the average wage up to the average wage of each country were eligible.

Finally, as household means-tested benefits, the earnings of couples as a whole determined eligibility to all five provisions. Such rules could therefore restrict one or both members'

⁶⁵ The levels at which in-work cash transfers were phased out were estimated using the description of policy design and rules in the data sources based on the main rules – this does not take into account any specific rules or exceptions based on household composition etc.

labour market participation as the earnings thresholds will apply to both⁶⁶. Policies in the UK and Ireland only included spouses' work hours in determining eligibility to the benefit. The assumption in made here is that such policies are more oriented towards non-standard work by at least one member in a couple, as entitlement and/or eligibility is intertwined.

Minimum earnings and work hours requirements in all in-work cash transfers indicated policies were not for households at the very margins of the labour market but rather a low to average income bracket of part-time working households, whose low incomes and dependent children determine the level of support (as we saw in Chapter 6). Italy and Ireland had more of a standard work orientation on the employment status (a) indicator. Only provisions in liberal regime countries included specific eligibility rules about work hours indicating a clearer orientation to low-paid work as opposed to low earnings than the other countries. However, Italy's allowance was also reduced for lower 'work effort'. Although potentially pushing workers towards 'standard' employment relationships (e.g. full-time work), the explicit goals within Universal Credit to facilitate the combination of multiple jobs indicate that the UK's provisions had become more clearly oriented towards non-standard forms of employment over time. Yet, the treatment of earnings was likely to create disincentives for some workers to earn more.

7.2.2 Earned income tax credits – sub-indicators of work orientation

The sub-indicators of the labour market orientation of in-work benefits for earned income tax credits is shown in Table 7.2 for a total of 19 policies across 12 countries identified in the mapping in Chapter 5. There appears to be more variation in the labour market orientation of earned income tax credits in EUMS than for in-work cash transfers, especially in the targeting of provisions on earnings.

One group of countries, Belgium, Italy and Estonia, appear to be oriented towards similar degrees of labour market participation as the in-work cash transfers above. Belgium's Fiscal Workbonus and Refundable Tax Credit on Low Activity Incomes, Italy's Fiscal Bonus and Estonia's Non-Refundable Credit for Low Income Workers, stood out from the other measures for being targeted on a fairly narrow range of earnings

⁶⁶ Chapter 6 set out the additional policy rules and design features concerning family members and children in in-work cash transfers, showing that benefits were higher for households with any/more children in most cases. Recipients had to have children to be eligible for the in-work benefit in Ireland and Malta.

Table 7.2 Labour-market orientation of earned income tax credits in 2016, sub-indicators and scores (unweighted)

Regime	EU MS	Provision	(a) Status		(b) Work hours		(c) Earnings minimum		(d) Max earnings		(e) Earnings where phase out begins		(f) Spouse/partner	
Liberal	IE	Employee Credit (Formerly PAYE)	E	0	N	1	No	1	N	0.0	N	0	N	0
	IE	Earned Income Tax Credit	SE**	1	N	1	No	1	N	0.0	N	0	N	0
Bis-marckian	AU	Lone Parent Tax Credit	SE or E	0.5	N	1	No	1	N	0.0	N	0	N	0
	AU	Sole Earners Tax Credit	SE or E	0.5	N	1	No	1	N	0.0	N	0	Y	1
	BE	Refundable Tax Credit Low Activity	SE or	0.5	N	1	12% AW	0	51% AW	0.8	38% AW	0.75	N	0
	BE	Fiscal Workbonus	E	0	Y	0	N	1	62% aw	0.8	40% AW	0.75	N	0
	LU	Tax Credit for Employees	E	0	N	1	1.5% AW	0	130% AW	0.6	66% AW	0.75	Joint	1
	LU	Tax Credit for Self-Employed	SE	1	N	1	N	1	130% AW	0.6	66% AW	0.75	Joint	1
	NL	Work Credit	E or SE	0.5	N	1	N	1	241% AW	0.2	82% AW	0.25	Joint	1
	NL	Income Dependent Combination Credit	E or SE	0.5	N	1	11% AW	0	N	0.0	71% AW	0.75	Y	1
	NL	Income Dependent Combination Credit	E or SE	0.5	N	1	11% AW	0	N	0.0	71% AW	0.75	Y	1
Nordic	DK	Beskæftigelsesfradrag (EITC)	E or SE	0.5	N	1	Y (min	0	N	0.0	N	0	N	0
	FI	Earned Income Credit	E or SE	0.5	N	1	7% AW	0	290% AW	0.2	80% AW	0.5	N	0
	SE	Earned Income Tax Credit (EITC)	E or SE	0.5	N	1	N	1	339% AW	0.0	150% AW	0.25	N	0
Southern	IT	PAYE Tax Credit	E	0	Y	0	N	1	189% AW	0.4	96% AW	0.5	N	0
	IT	Self-Employed Credit	SE	1	N	1	N	1	189% AW	0.4	15% AW	1	N	0
	IT	Refundable Tax Credit	E	0	N	1	30% AW	0	89% AW	0.8	82% AW	0.5	N	0
	ES	Working Mother Tax Credit	E or SE	0.5	N	1	Y (min ssc)	0	N	0.0	N	0	N	0
CEE	EE	Non-Refundable Credit Low Income	E	0	Y	0	N**	1	55% AW	0.8	40%	1	Optiona	0
	SK	Tax Credit on Dependent Child	E or SE	0.5	Y	0	19% AW	0	N	0.0	N	0	Y	1

Notes (general): Yellow highlight = 2018 data used in place of missing data; Earnings minimum and maximum calculated as a proportion of average wage (AW) using OECD (2019b). 'E' employee, 'SE' self-employed, 'CS' civil servant. Darker blue shading indicates stronger non-standard orientation. **Notes (country specific):** IE no minimum earnings but tax credit phased in as earnings increase; IT tax credit for employment income cannot be lower than 1,380€ per year if the individual has a temporary contract or lower than 690€ per year otherwise; SE EITC calculation varies across municipalities; SK only one partner in couple eligible for credit, ES minimum earnings relate to level of social security contributions (ssc).

All included rules based on work hours, minimum earnings and maximum earnings. The credits were phased out from approximately 40% of the average wage in Belgium and Estonia, and from 80% of average wage for Italy, and the maximum level of earnings was approximately 10% above this in these three countries. Looking at the details of policies, as the scores are not comparable, these are similar in orientation to the in-work cash transfers above when it comes to earnings. However, a major difference is that provisions are individualised, and thus the orientation is towards more substantial participation across a household with two adults able to work than in in-work cash transfers.

Moreover, unlike in-work cash transfers, restrictions on employment status ('a') (Table 7.2) in earned income tax credits were largely due to separate schemes for employees and self-employed, rather than there being a clear standard or non-standard orientation of the in-work policies in a given country. Estonia was the only country where eligibility was restricted to employees and there was no separate scheme for the self-employed, whereas Ireland, Belgium, Luxembourg and Italy had separate provisions for employees and the self-employed. Eligibility for one of Belgium's earned income tax credits (Refundable Tax Credit on Low Activity Incomes) was restricted to those with income categorised as 'low activity' who are mainly self-employed or civil servants. The variation within countries in schemes for employees and self-employed within countries is explored further below.

At the other end of the spectrum, earned income tax credits in the Nordic regime countries, as well as Austria, Spain, Italy (two out of three provisions), Ireland, Slovakia and the Netherlands had no or low minimum earnings floors and very high or no maximum earnings thresholds. Denmark's EITC had no maximum earnings level⁶⁷. Sweden's was 339% of average wage and Finland's was 290% of average wage for 2016. However, Sweden's EITC is highest for earnings approximately between 31 to 88% of average wage (the range varies depending on municipal tax rates) and in Finland between 32 to 90% of average wage. In Denmark, the credit reaches its maximum value when earnings are at 84% of average wage but this did not phase out and it was phased in, so higher earners benefited more. All Nordic tax credits were individualised (i.e. not tied to spouse's work/earnings), could be received by both employees or self-employed, and did not have work hours requirements. Ireland's credits had no maximum thresholds. In Italy, two policies were received by either employees or the self-employed with earnings above average wages (up to 189% of average wage), but

⁶⁷ Based on data from employment-conditional earning subsidies table for 2018 (OECD, 2010)

they were phased out below average wages in both cases, suggesting the credits were more targeted on those with earnings below average wages, but, importantly, the value of the credit does not drop off completely once average wages had been reached. The provisions were therefore more universal in terms of earnings. Yet, the Nordic countries were the most universal when looking across all features. For example, Italy and Ireland had separate schemes for employees and self-employed; and the levels were marginally lower for the self-employed (see Chapter 6), indicating an orientation towards ‘standard’ employment in these countries.

Moreover, in mostly Bismarckian countries, entitlement to earned income tax credits was tied to the employment status and/or earnings of the spouse (Austria, Luxembourg, Netherlands and Slovakia). For example, Austria’s Sole Earner Tax Credit was not given if the spouse’s earnings exceed EUR6000 (approximately 14% of average wages). As such, the credit was oriented towards marginal work on the part of one earner, while there were no maximum earnings thresholds for the main recipient. Moreover, earned income tax credits could be shared between partners in the Netherlands, if the entitlement to the credit exceeded the amount of tax one part of the couple was liable for. It was coded as more oriented towards non-standard work as it could provide financial incentives for the lower earner not to increase work effort.

7.2.3 Adjusted unemployment benefits – sub-indicators of work orientation

Next, Table 7.3 gives an overview of the rules and design features that make up the composite indicator of the labour-market orientation for the 24 adjusted unemployment benefit policies identified in EUMS for 2016. The indicators cover rules on working hours or days that were allowed alongside the receipt of benefit, the amount of earnings disregarded in the calculation of eligibility or entitlement for the benefit, and the rate at which the benefit was reduced. The latter kicks in after the earnings disregard, should there be one in place. There is also a binary indicator for whether spouses’ work affects entitlement to the adjusted unemployment benefit. A total of 17 out of 24 adjusted unemployment benefits were contributory. There is missing data for one or more sub indicator across 9 provisions; notably data are missing on two indicators for policies in Sweden and Malta.

There are some general findings about the orientation of adjusted unemployment benefits as a whole, some specific findings about individual countries and some possible avenues to explore concerning welfare regime. Generally, the majority of adjusted unemployment

benefits were oriented towards very marginal work, evident in the tight restrictions on work hours and earnings (disregards, withdrawal rates, and spouses' earnings). This is not surprising as adjusted unemployment benefits were included in the study if they had *at least one* of the in-work levers described in Chapter 4⁶⁸.

A group of countries stood out for having the most restrictive unemployment benefits in terms of work or earnings. All or some of the policies in the following eight countries combined high withdrawal rates with minimal or no disregards: Ireland (Contributory), UK (both policies), Sweden (both policies), Luxembourg, Malta, Spain (both policies), Portugal (both policies) and Greece.

Thus, the Southern regime countries in particular were not oriented towards combining earnings with receipt of unemployment benefit. Most provisions (with the exception of Portugal's unemployment insurance benefit) did not include any earnings disregards (column 'c'), and earnings reduced the benefit at a rate of 100% (column 'd'), even though the rules technically allowed recipients to carry out some work while receiving the benefits. Strong restrictions on earnings were, however, also found in Sweden, Luxembourg (contributory) and most policies in the UK and Ireland. For example, there were very limited disregards in the UK, varying from 0.7% to 3% of the average wage, depending on the household composition. Beyond this, earnings reduced unemployment benefits in the UK pound for pound. The earnings of other members of the household also counted towards the means-test for assistance unemployment benefit in the UK.

Jobseekers' Benefit in Ireland (contributory) was similarly restrictive in that benefit entitlement for the week was reduced by a fifth for every day worked and benefits were stopped if recipients worked for four consecutive days (out of seven). Ireland's assistance unemployment benefit (Jobseeker's Allowance) restricted work to three days per week for each member of the couple in a household. However, its disregards and means test indicated a more favourable treatment of earnings than the UK's adjusted unemployment benefits: 20 euros of earnings per day (approximately 10% AW) were disregarded, and just 60% of the earnings on top of this count towards the means-test, up to the three-day maximum.

⁶⁸ 1. Earnings disregards (some earned income does not count towards assessment of eligibility or entitlement); 2. Eligibility criteria/ policy rules state that participation in paid work is allowed alongside receipt of benefit; 3. a phase out so that the benefit is phased out with earnings, rather than entitlement stopping immediately with any earned income.

Table 7.3 Labour market orientation of adjusted unemployment benefits in 2016, sub-indicators and scores (unweighted)

Regime	EUM S	Policy	(a) Status		(b) Work hours		(c) Disregard		(d) Withdrawal rate		(e) Spouse earnings		(f) Missing (n)
Liberal	IE	Jobseeker's Benefit	E or SE	0.5	Max B	0.75	No	1	100%*	1	N	0	0
	IE	Jobseeker's Allowance	E or SE	0.5	Max B	0.75	10%AW + 40% earnings/ day	0.25	100%	1	Y	1	0
	UK	Jobseekers Allowance (Contribution Based)	E or SE	0.5	Max B	0.75	0.7 - 3% AW	0.75	100%	1	N	0	0
	UK	Jobseekers Allowance (Income Based)	E or SE	0.5	Max B	0.75	0.7 - 3% AW	0.75	100%	1	Y	1	0
Nordic	FI	Adjusted Unemployment Insurance	E or SE	0.5	Max D	0.25	9 -30% AW	0.5	50%	0.25	N	0	0
	FI	Adjusted Basic Unemployment Allowance	E or SE	0.5	Max D	0.25	9 - 30% AW	0.5	50%	0.25	N	0	0
	FI	Adjusted labour market subsidy	E or SE	0.5	Max D	0.25	9 - 30% AW	0.5	75/50%	0.5	N	0	0
	SE	Basic Unemployment Insurance	.	.	.	.	No	1	100%	1	N	0	2
	SE	Income Related Unemployment Insurance	.	.	.	.	No	1	100%	1	N	0	2
Bis marckian	FR	Unemployment Insurance ('ARE')	.	.	Max C	0.5	unlimited if age 50+	0.5	100%	1	N	0	1
	FR	Unemployment Assistance ('ASS')	E or SE	0.5	.	.	21 - 37% AW	0.25	Staggered	0.5	Y	1	1
	DE	Unemployment Insurance I ('ALG I')	.	.	Max B	0.75	22% AW	0.25	100%	1	N	0	1
	DE	Unemployment Benefit II ('ALG II')	.	.	No	0	13% AW	0.5	80-100%	0.75	Y	1	1
	LU	Unemployment Insurance	Access ory	1	No	0	No	1	100%	1	N	0	0
	NL	Supplementary Benefit ('SW')	E	0	Max A	1	30% earnings	0.25	100%	1	Y	1	0
	NL	Unemployment Insurance	E	0	No	0	30% earnings	0.25	.	.	N	0	1
Southern	MT	Special Unemployment Benefit	.	.	.	.	No	1	100%	1	Y	1	2
	ES	Unemployment Insurance	E	0	Max C	0.5	No	1	100%	1	N	0	0
	ES	Unemployment Assistance	E	0	Max C	0.5	No	1	100%	1	Y	1	0
	PT	Unemployment Assistance	SE	1	.	.	No	1	100%	1	Y	1	1
	PT	Unemployment Insurance	E or SE	0.5	Max C	0.5	35% benefit	0.75	100%	1	N	0	0
	EL	Unemployment Insurance	E	0	Max B	0.75	No	1	100%	1	N	0	0
CEE	HR	Unemployment Insurance	T	1	No	0	10% AW	0.75	100%	1	N	0	0
	SI	Unemployment Insurance	E or SE	0.5	Max C	0.5	20%AW	0.5	50%	0.25	N	0	0

Notes: '.' Missing; 'E' employment; 'SE' self-employment; 'T' temporary employment only. Darker colour = stronger non-standard orientation. Working hours per week indicator: A (1-8 hrs/ 1 day); B (9-24 hrs/ 2-3days); C (25-32 hrs/ 4 days); D (33+ hrs/ 5+ days). Some disregards are shown as a range because they vary based on household composition.

However, the following countries stand out for provisions that are were, relatively, oriented towards more work and earnings: Finland, France, Germany and Slovenia. For example, all three of Finland's adjusted unemployment benefits included relatively loose restrictions on work hours, larger earnings disregards (dependent on household composition) and more gradual withdrawal rates. Germany combined moderate earnings disregards (13-22% of AW) with no or moderate restrictions on hours. France's unemployment insurance permitted the equivalent of two to three days' work per week, with unlimited disregards for recipients over the age of 50; and the Netherlands disregarded 30% of earnings in both of its unemployment benefits, but its supplementary benefit (for additional needs) had tight restrictions on work hours.

Other forms of variation were also evident. For example, restrictions based on employment status (e.g. employment, self-employment and other relationships) were not in unemployment benefits in liberal or Nordic regime countries. Southern regime countries restricted work on the basis of status, mostly permitting employment (not self-employment). Moreover, restrictions based on work hours were among the strongest in liberal regimes. In the UK, the outgoing system of unemployment benefits and the outgoing Working Tax Credits, had, in the case of the former, rules capping work hours, and in the latter, minimum work hours requirements, thus serving to separate out the recipients of in-work cash transfers and unemployment benefits.

There were restrictions based on the earnings of the spouse (Column E) in assistance/non-contributory unemployment benefits in Ireland, the UK, France, Germany and Spain and in contributory benefits in the Netherlands and Portugal. Nordic or Central and Eastern regime countries provisions were individualised.

As partly outlined above, there were differences in work restrictions between contributory and non-contributory adjusted unemployment benefits within and across countries. Contributory schemes in four countries permitted only self-employment (Netherlands, Portugal, Greece and Spain). Only Luxembourg and Croatia's unemployment benefits had rules in place that meant recipients could only combine their unemployment benefit with work as an employee. However, there was near uniformity in rules concerning work type, hours and earnings in Nordic countries' contributory and non-contributory benefits (Finland

and Sweden), even though Sweden's benefits were oriented towards very marginal/limited labour market participation and Finland's appeared closer to de facto in-work cash transfers.

While there were some regime patterns with regards to the details of policy features, the overarching orientation of adjusted unemployment provisions towards more or less marginal participation appeared not to be regime driven. Most countries had tight restrictions on earnings and/or work hours. Yet there were some stand out cases which could operate like de facto in-work benefits. The work permitted in the latter is far from 'standard' employment as the emphasis across unemployment benefits was about permitting some but not a substantial degree of work alongside unemployment benefit receipt. The overall (weighted) scores for each sub-type across countries and regimes capture this complex variation more succinctly.

7.3 The labour market orientation of in-work benefits: composite indicators

This section compares the labour market orientation of countries' in-work benefits using the composite indicator made up of all the sub-indicators outlined in the previous section. The full set of sub-indicator and composite indicator scores are shown in Tables 7.4, 7.5 and 7.6. Policies received higher scores if the rules and design features of the policy are oriented towards marginal labour market orientation e.g. temporary part-time work with very low earnings. Lower scores indicate policies are oriented towards standard labour market participation, such as full-time work as an employee⁶⁹.

Composite indicator scores are not comparable across sub-types due to differences in the make-up of the composite indicators (see: Chapter 4). For example, a score of 0.7 for an earned income tax credit policy and 0.7 for an in-work cash transfer policy does not mean these policies are oriented towards the same degree and forms of labour market participation, as the sub-indicators are coded differently for the reasons outlined above. Nevertheless, the composite scores facilitate comparison across countries and regimes and as a group comprise a multi-faceted picture of the orientation of in-work benefits towards different degrees and forms of labour market participation, considering each sub-type in turn.

⁶⁹ This distinction is somewhat crude given the differences in standard and non-standard employment across EUMS but the consistent coding facilitates cross-national comparison which can then be contextualised.

7.3.1 In-work cash transfers

Table 7.4 shows the composite scores for in-work cash transfers for each policy as well as the country and regime average. As argued above, there is little variation in scores for the six policies in this category on the composite indicator meaning provisions are similar in their labour market orientation. The average score across all policies was 0.62. France's Activity Allowance received the highest score at 0.75, indicating the provision is more oriented towards non-standard work, whereas Italy's Family Allowances received the lowest score at 0.45 indicating it was more oriented towards standard work. France's high score reflects its steep phase-out of the policy and earnings restrictions. In contrast, Italy's policy is for employees only.

Table 7.4: Labour market orientation of in-work cash transfers (composite scores)

Regime	Country	Programme	Policy score	Country average	Regime average
Liberal	IE	Family Income Supplement	0.67	0.67	0.67
	UK	Working Tax Credits	0.71	0.67	
		Universal Credit	0.63		
Bismarckian	FR	Activity Allowance	0.75	0.75	0.75
Southern	IT	Family Allowance	0.45	0.45	0.50
	MA	In-Work Benefit	0.54	0.54	

Notes: Authors own calculations 2016 policies only. Data described in Appendix A. See Methodology (4.4.3) and Appendix E for more details. Scores closer to 0 indicates policies are oriented towards standard work (full-time, work as employee, wages above average) market participation and scores closer to 1 indicates policies are oriented towards non-standard work.

There is however little difference in the scores for Ireland (0.67) and the UK (WTC: 0.71, UC: 0.63). The UK's WTC score was higher than Universal Credit, as Universal Credit contains more rules and features that are intended to encourage or enforce greater labour market participation. Yet, as we saw above, this can actually mean combining multiple non-standard forms of employment to make up the working hour requirements.

As France was the only Bismarckian regime country with an in-work cash transfer, the average score reflect this; whereas the average score for the liberal regime countries is 0.67, indicating provisions are slightly more oriented towards standard work than France. The lowest regime score is therefore the Southern regime (0.50) countries (Malta and Italy), implying provisions in these countries were more oriented towards 'standard' labour market than the other countries' in-work cash transfers.

7.3.2 *Earned income tax credits*

The scores for each earned income tax credit policy are given in Table 7.5, including the country and regime average. Five countries had more than one earned income tax credit policy in place. The remaining countries had only one earned income tax credit policy. The average policy score on the earned income tax credit indicator is 0.4 (rounded). Ireland's Employee Credit received the minimum score (0.11) indicating it is the most oriented towards standard employment. The maximum scoring policy is Luxembourg's Self-Employed Tax Credit at 0.86.

Overall, policy and country scores are more dispersed than for in-work cash transfers. The narrow targeting of Luxembourg's Tax Credit for the Self-Employed on partly explains its high score. This is not to say that the policy was only received by those with very minimal earnings. However, it is among one of the more targeted provisions as only those with earnings up to the poverty/low wage threshold were eligible (two thirds of average income).

Of the countries with multiple earned income tax credits, greatest variation can be seen in Italy and Luxembourg. Even still, Luxembourg had most of the highest scoring policies implying a stronger non-standard orientation in its earned income tax credits. In addition, Belgium, Italy and Estonia had above average scores, mirroring the finding above that their provisions that are more targeted on specific types of work and lower earnings. In contrast, Denmark, Sweden, Finland, Ireland and Spain's earned income tax credit policies all scored below the average reflecting the overall standard orientation of their provisions.

The Bismarckian regime had the highest average score (0.51), reflecting the above average scores in all three countries. As discussed above, eligibility for earned income tax credits in a number of Bismarckian countries depended on the employment status and earnings of other household members. However, targeting on earnings was inconsistent across Bismarckian regime countries. For example, in Belgium, policies were targeted on earnings below 65% of the average wage. In contrast, eligibility for Netherland's Work Credit reaches up to approximately 2.4 times the average wage. However, the level of earnings at which credits were phased out were lowest among Bismarckian countries, even if in some cases it was possible to receive a (lower) credit with high earnings.

Table 7.5: Labour market orientation of earned income tax credits (composite scores)

Regime	MS	Programme	Policy score	Country average	Regime average
Liberal	IE	Employee Credit	0.11	0.22	0.22
		Earned Income Tax Credit	0.33		
	AU	Lone Parent Tax Credit	0.22	0.33	
		Sole Earners Tax Credit	0.44		
Bismarckian	BE	Refundable Tax Credit Low Activity	0.51	0.46	0.51
		Fiscal Workbonus	0.40		
	LU	Tax Credit for Employees	0.58	0.72	
		Tax Credit for Self-Employed	0.86		
	NL	Work Credit	0.54	0.55	
		Income Dependent Combination Credit	0.56		
Nordic	DK	Beskæftigelsesfradrag (EITC)	0.17	0.17	0.26
		Earned Income Credit	0.32		
	SE	Earned Income Tax Credit (EITC)	0.28	0.28	
		PAYE Tax Credit	0.26		
Southern	IT	Self-Employed Credit	0.64	0.42	0.29
		Fiscal Bonus	0.34		
	ES	Working Mother Tax Credit	0.17	0.17	
		Credit for Low Income Workers	0.46		
CEE	EE	Credit for Low Income Workers	0.46	0.46	0.39
		Tax Credit on Dependent Child	0.33		

Notes: Authors own calculations using data detailed in Appendix A. 2016 policies only. See Methodology (4.4.3) and Appendix E for more detail. Scores closer to 0 indicates policies are oriented towards standard work (full-time, work as employee, wages above average) market participation and scores closer to 1 indicates policies are oriented towards non-standard work.

At the other end of the scale Ireland, the only Liberal regime country included in the analysis, received the lowest average score (0.22); closely followed by the Nordic regime (0.26) and the Southern (0.29), implying provisions in these countries are oriented towards more substantial and standard labour market participation. There was, however, greater variation among the Southern regime countries compared to the Nordic because Italy combined a broader and a more targeted credit. But, as we saw above the Nordic regime countries did not differentiate on the basis of employment status, whereas Italy and Ireland did, and Nordic regime countries were not for specific types of workers (e.g. mothers), whereas the lower scoring provisions in Spain and in Austria were. The Central and Eastern European regime average was 0.39 and thus policies in these countries were oriented towards more substantial labour market participation than many Bismarckian countries, but they were not as clearly oriented towards more standard participation as Liberal, Nordic and most of the Southern regime country provisions.

7.3.3 *Adjusted unemployment benefits*

The composite indicator for adjusted unemployment benefits also echoed the mixed picture set out above. Eight countries had more than one adjusted unemployment benefit scheme and six countries had one policy. The average policy score is 0.6 (rounded) and policies were dispersed to a similar extent as earned income tax credits (standard deviation: 0.2).

The lowest scoring policy is the Netherlands' unemployment insurance policy at 0.063. This score indicates it is more oriented towards standard work compared to other adjusted unemployment benefits. There was, however, one missing indicator for this provision meaning that other features have more bearing on the final policy score. The highest scoring provisions were Malta's special unemployment benefit and Portugal's unemployment assistance benefit. Both scored 1 indicating they are oriented towards very marginal/non-standard labour market participation. Malta's unemployment benefit is completely withdrawn if earnings exceed EUR 365 (20% average wage) per month and earnings below this amount reduce the benefit Euro for Euro (i.e. there is no disregard and 100% withdrawal rate). Similarly, Portugal's unemployment assistance was also very restrictive as there were no disregards, a 100% withdrawal of the benefit with earnings and spouses' earnings counted towards entitlement calculations. Again, however, data were missing on two sub-indicators (work hours and work type) for Malta, and on one for Portugal, meaning restrictions where data were available have greater weight in the overall score. As such, it is recommended that these extreme cases are interpreted with caution.

Relatedly, within-country variation is greatest in the Netherlands and Portugal. On the one hand, this captures the within-country variation in the labour market orientation of assistance and insurance schemes in Portugal. The rules in the insurance benefit concerning work hours and work type were more oriented towards standard work than in the assistance benefit. However, on the other hand, missing data could also be pushing the scores further apart.

Beyond this, Germany's unemployment assistance benefit provided a useful benchmark for deciding whether benefits constitute 'de facto' in-work cash transfers in terms of whether provisions are simply oriented towards very marginal/non-standard work, as some assume: this provision is considered a de facto in-work cash transfer in the literature (Clasen, 2019). Scoring 0.563 on the composite indicator, Germany's unemployment assistance provision is below the average score for adjusted unemployment benefits in the EUMS in this analysis,

indicating it not strongly oriented ‘very’ non-standard or standard work. Provisions in France (0.53), Finland (0.32), Spain (0.5, insurance only), Croatia (0.55) and Slovenia (0.35) scored below this.

Table 7.6 Labour market orientation: adjusted unemployment benefits (composite scores)

Regime	Country	Policy	Policy Score	Country average	Regime average
Lib	IE	Jobseeker's Benefit	0.65	0.68	0.69
		Jobseeker's Allowance	0.70		
	UK	Jobseekers Allowance (Contribution Based)	0.60	0.70	
		Jobseekers Allowance (Income Based)	0.80		
Nor	FI	Adjusted Unemployment Insurance	0.30	0.32	0.49
		Adjusted Basic Unemployment Allowance	0.30		
		Adjusted labour market subsidy	0.35		
	SE	Basic Unemployment Insurance	0.67	0.67	
		Income Related Unemployment Insurance	0.67		
	FR	Unemployment Insurance ('ARE')	0.50	0.53	
Unemployment Assistance ('ASS')		0.56			
Bis	DE	Unemployment Insurance I ('ALG I')	0.50	0.53	0.51
		Unemployment Benefit II ('ALG II')	0.56		
	LU	Unemployment Insurance	0.60	0.60	
	NL	Supplementary Benefit ('SW')	0.65	0.36	
		Unemployment Insurance	0.06		
	MT	Special Unemployment Benefit	1.00	1.00	
Sou	ES	Unemployment Insurance	0.50	0.60	0.73
		Unemployment Assistance	0.70		
	PT	Unemployment Assistance	1.00	0.78	
		Unemployment Insurance	0.55		
	EL	Unemployment Insurance	0.55	0.55	
CEE	HR	Unemployment Insurance	0.55	0.55	0.45
	SI	Unemployment Insurance	0.35	0.35	

Notes: Authors own calculations using data detailed in Appendix A. Policy names as given in main sources. See Methodology (4.4.3) and Appendix E for more detail. Scores closer to 0 indicates policies are oriented towards standard work (full-time, work as employee, wages above average) market participation and scores closer to 1 indicates policies are oriented towards non-standard work.

As we saw above, adjusted unemployment benefits were all oriented towards non-standard or marginal employment (e.g. part-time or temporary), but these provisions stand out for constituting features that make them more like de facto in-work cash transfers. For example, all of Finland’s unemployment benefits allowed part-time or temporary full-time

employment alongside benefit receipt, and they included fairly sizeable earnings disregards, and were gradually phased out as earnings increased. They were also individualised so that spouses' work and earnings do not affect entitlement⁷⁰. In contrast, higher scoring countries included Ireland (0.68), the UK (0.70) and Sweden (0.67), which had in place in-work cash transfers, earned income tax credits, or both in the case of Ireland, oriented towards more substantial labour market participation, which could explain the very marginal/non-standard labour market orientation of these policies.

Considering regimes, the Southern European regime had the highest average score (0.73 rounded) indicating adjusted unemployment benefits were most oriented towards marginal work in this regime. All countries scored '1' on the disregard and withdrawal rate sub-indicators, suggesting high disincentives to combine paid work with unemployment benefits in these countries, restrictions on employment status and spouses' earnings varied. Indeed, Greece⁷¹, Spain and Portugal permitted considerable work, in terms of hours, alongside receipt of unemployment benefit. But rules concerning earnings rules effectively limited the amount of work recipients could do alongside unemployment benefit receipt as the benefit will be withdrawn.

However, differences between provisions were evident in terms of employment status and spouse earnings, hence the variation among Southern regime countries (even though this variation is at a higher level than most other provisions). For instance, Spain and Greece only permitted work as an employee alongside receipt of unemployment benefit, whereas Portugal's assistance scheme only permitted independent work (e.g. self-employment) with the receipt of unemployment benefit.

The Liberal welfare regime had the second highest average score (0.69) with limited within country variation, reflecting the similarities in both countries' provisions outlined above.

Policies in the Bismarkian countries had some of the lowest disregard sub-indicator scores, suggesting a favourable treatment of earned income in these policies. Other than Luxembourg, all scored less than or equal to 0.5 on this sub-indicator, meaning they had

⁷⁰ Although one of Finland's adjusted unemployment benefits is means-tested at the household level, the policy was reformed in 2013 so that earnings of the partner are completely excluded from the means-test, making it less restrictive than previous iterations.

⁷¹ 2018 data shows this rule was abolished in 2017 from which point was no longer feasible to combine unemployment benefits with paid work in Greece.

earnings disregards of at least 20% of average wages or reference earnings. However, this was typically combined with a 100% withdrawal rate, and thus unemployment benefits in these countries appear to be geared towards facilitating some marginal labour market participation, but not earnings beyond this. Spouses' earnings were typically counted in assistance but not contributory policies in these schemes, reflecting the means-testing in the former.

The average score for Croatia and Slovenia – the only Central and Eastern European countries with these policies - was the lowest (0.45 rounded) of all regimes. Both countries scored below the average, but Slovenia was more clearly oriented toward standard employment: recipients of unemployment insurance can carry out work through any type of contractual relationship, for which the first EUR200 is disregarded, while earnings over this reduce the benefit by 50%. Croatia's unemployment benefits were more clearly oriented towards marginal work in that 'temporary service contacts' could be combined with unemployment benefit receipt, and earnings from this kind of employment had to be below the average unemployment benefit from the previous year, akin to 10% of average wages. In both countries, spouses' earnings did not affect entitlement.

There was, unlike for earned income tax credits, little consistency among the Nordic regime countries, with Finland's provisions scoring well below average (0.32) and Sweden's among the highest (0.67).

Although the parameters of the analysis of adjusted unemployment benefits are narrow, there were clear differences between countries in terms of the amounts of earnings and types of work that could be combined with unemployment benefit receipt. Some or all of the adjusted unemployment benefits in Germany, France, Finland, Slovenia, Netherlands and Croatia appeared to be the closest to de facto in-work cash transfers. Whereas Southern and Liberal regime countries' adjusted unemployment benefits were, on average, more clearly oriented towards very marginal earnings and work.

7.4 Contextualising variation in the labour market orientation of in-work benefits

This section aims to contextualise the three composite indicators presented in the preceding section. The discussion is structured around each welfare regime, outlining the similarities and differences in the labour market context within each regime, which helps to interpret the salience of the work-based targeting of these provisions described above.

First, starting with the Central and Eastern European countries included in the analysis. Compared to other EUMS, these countries have relatively low part-time employment rates, considered broadly to be a form of non-standard work, ranging from 5.6% in Croatia to 9.5% in Estonia. However, temporary employment varied from just over 3% in Estonia to 21.4% in Croatia. The adjusted unemployment benefits in Croatia were specifically oriented towards temporary employment, which could indeed reflect a goal to facilitate and/or support this kind of work in a context where it is high. Earned income tax credits did not appear to be targeted on those at the very margins of the labour market in Slovakia and Estonia e.g. Slovakia's tax credit for working parents has both minimum earnings and hours requirements. Estonia's credit was targeted on full-time employees, as such there is more of an insider-orientation for its fiscal in-work benefits. Again, the relatively low prevalence of part-time work in these countries could be reflected in the policy design, which aims to support and/or facilitate more standard employment.

Next, adjusted unemployment benefits were very restrictive in Liberal regimes and in-work cash transfers were more oriented towards non-standard employment than in some other EUMS. In terms of non-standard employment, the temporary employment rate was well below the EU average of 13.3% for 2016 at 5.3% and 7.8% in the UK and Ireland respectively. Self-employment was near to the EU average of 14% for 2016. Yet, the UK had the fifth highest rate of part-time employment in the EU in 2016 at 23.8 per cent. Ireland was also above the EU average of 18.9% with approximately a fifth of employees working part-time. Indeed, it is part-time employment that in-work cash transfers in these contexts appear to be most oriented towards. There was however a split in the access to in-work cash transfers for the self-employed in Ireland and the UK. Ireland's in-work cash transfer is for employees only and has in place separate earned income tax credit schemes for employees and the self-employed (the latter, as we saw in Chapter 6, was less generous). In contrast, self-employed are eligible for in-work benefits in the UK. Moreover, Universal Credit moved the UK partly away from the emphasis on part-time work but not necessarily non-standard work in its requirements for recipients to possibly combine multiple non-standard jobs to reach earnings and hours requirements, if alternatives are not available.

The share of part-time employment was relatively high in Nordic regime countries, ranging from 13.4% in Finland to 22% in Sweden and Denmark. Temporary employment was also above average, ranging from 12.5% to 14.5%. Despite such scope for 'dualism', the broad

approach observed in Nordic regime countries comprised earned income tax credits that were encompassing in terms of employment types and earnings. Earned income tax credit policies in these countries were not only targeting non-standard workers. The ratio of three earned income tax credit policies to three countries reflects that, unlike in many other regimes, earned income tax credits were not separated out for different employment relationships.

The Nordic regime countries, Sweden, Denmark and Finland, had very similar earned income tax credit provisions, but they diverged when it came to the use of adjusted unemployment benefits. Sweden's can hardly be considered a *de facto* in-work benefit and adjusted unemployment benefits were not identified for Denmark. On the other hand, Finland operated three adjusted unemployment benefit policies that were oriented towards more substantial (but still 'non-standard') labour market participation. The share of part-time work was lower in Finland than in Sweden and Denmark, whereas temporary employment was fairly high (above the EU average of 13.3%). Adjusted unemployment benefits in Finland specifically targeted part-time workers and temporary full-time workers. This could imply a dualism in Finland in the use of the unemployment benefit system to support outsiders that was not apparent in Denmark or Sweden's in-work benefit strategies.

The Bismarckian regime had the highest number of earned income tax credit policies (eight over five countries), which reflected the 'fragmented' provision, targeted on employment status and household attributes (e.g. sole parents/earners). Part-time work is relatively high in these countries, and is the highest in EUMS for the Netherlands. The Netherlands' lowest scoring adjusted unemployment benefit policies and the highest part-time employment rate in the EU could indicate that this policy is oriented towards facilitating part-time employment.

The overall picture of the labour market orientation of in-work benefits in Southern regime is one of very restrictive adjusted unemployment benefits alongside a mix of targeted and more encompassing tax credit provisions regarding earnings. Given the high scores for adjusted unemployment benefits in Southern regime countries, these policies were the farthest away from 'de-facto' in-work benefits within unemployment benefits. Amid a context of high self-employment and temporary employment, in-work cash transfers (in Italy) were targeting on employees, thus they seem to overlook the possible needs of some

forms of work even though it is prevalent. There were, however, tax credit provisions for the self-employed in Italy.

7.5 Conclusion

This chapter first compared the qualitative rules and design features of in-work benefits and their respective scores on the sub-indicators of the labour market orientation of policies. This fed into a cross-national comparison of policies using the composite indicators, which aimed to compare the orientation of in-work benefits towards non-standard and standard employment, relatively speaking, looking at each sub-type independently because of the idiosyncratic features of policies. Finally, the scores were compiled at the regime level, along with three key indicators of non-standard work in European labour markets, to paint a broader picture of the range of in-work benefits in use across regimes, flagging possible connections between the orientation of policies and labour market context.

These findings from the chapter feed into the discussion in Chapter 8. There are three main conclusions to make here, however. First, the analysis highlights that a blanket understanding of in-work benefits as targeting labour market outsiders and/or those in non-standard work is limited when comparing across an extensive number of countries. Across EUMS, some in-work benefits were restricted to employees only, e.g. Ireland's Family Income Supplement, whereas some had minimum earnings and hours requirements. Those with earnings well above average wage were eligible for earned income tax credits in some countries (e.g. Denmark, Finland, Sweden and Ireland).

Second, in-work benefit sub-types appear to be a good but not a perfect proxy for the labour market orientation of policies. For example, earned income tax credits in several countries were more encompassing in terms of the range of eligible earnings and the employment status of recipients. Yet, in Bismarckian countries but also elsewhere (e.g. Spain) earned income tax credits were more targeted in terms of work, earnings and other criteria concerning the employment status and the earnings of the other members within a household. Similarly, in-work cash transfers across EUMS were more targeted on household means but rules varied with regards to the types of workers than can access schemes e.g. some were for employees and not the self-employed.

In a few standout cases (e.g. Finland, Netherlands and Slovenia), adjusted unemployment benefits were similar to in-work cash transfers in that they can be received by part-time

and/or temporary full-time workers. But these were the exception to the rule. Most unemployment benefits were far from in-work cash transfers in terms of the amount of work and earnings that could be ‘topped up’ with these benefits. The idea that unemployment benefits may be being used across countries in the way they are used in Germany to supplement part-time work did not hold for many of these policies in EUMS but the other instances of this use of these provisions are not insignificant in terms of understanding the varied role of the state in income maintenance for ‘working’ households and feeds into debates about defining in-work benefits.

Finally, the findings offer some support for the role of policy legacies across regimes. This was strongest in the Nordic countries where earned income tax credits were less restrictive, more universal and individualised. The limited number of Central and Eastern European countries included in the analysis made it hard to draw conclusions, but policies received similar scores even though the types of restrictions within policies differed. The Bismarckian regime countries were the most varied across all sub-three types but tended to be more non-standard oriented than average and had a familial slant in several cases. Liberal regime countries were more likely to be restrictive and geared towards part-time, low income work across the majority of policies apart from tax credits in Ireland. Southern regime countries’ adjusted unemployment benefits were not conducive to combining unemployment benefits with earnings from work.

There are also several shortcomings of the analysis to mention at this point. Limited data on certain aspects of in-work benefit design put restrictions on the construction of sub- and composite-indicators. The composite indicators – each of which broadly captured the level of work-based restrictions in countries’ in-work benefits – could be adapted to better reflect country variation, especially with regards to the levels of earnings at which in-work cash transfers are received for different household types. Moreover, separate composite indicators reflected the institutional idiosyncrasies of policies and the data, but a more fine-grained set of sub-indicators that were equivalised across all provision types could lead to more meaningful cross-national comparisons of the multiple provisions used by EUMS. As the analysis of the orientation of in-work benefits is confined to the rules and design features, it does not capture the full range of factors determining the precarity or insecurity of workers that is likely to vary across contexts (Eardley and Corden, 1996; Schwander and Häusermann, 2013; Spasova et al., 2017). As a standardised measure it also makes

assumptions about standard and non-standard work: the interpretation the findings could therefore be nuanced with closer examination of specific labour market contexts and inequalities.

Nevertheless, the analysis constitutes a systematic comparison of in-work benefit design. It illuminates the varied orientation of in-work benefits in EUMS towards different kinds and degrees of work in line with the analysis of variation in the orientation of provisions towards different degrees and forms of labour market dependence. It also feeds into suggestions for using other methods and data sources to operationalise the framework – these are set out in Chapter 9.

8 DISCUSSION

The discussion and interpretation of the findings in the previous chapters have focused mainly on each strand of the research in isolation. The aim of this chapter is to comment on the interpretation of the findings as a whole. The empirical investigation mapping out in-work benefit policies also aided the search for secondary sources about specific in-work benefit policies in select contexts and other relevant resources about, for example, the context of reforms. These feed into the discussion, helping to nuance the interpretation of the findings.

The chapter is structured as follows: Section 8.1 outlines a summary of the findings as they were presented across the three preceding chapters. Section 8.2 discusses what the findings mean for broader arguments about trends and variation in in-work benefits in capitalist democratic countries, including questions over what constitutes in-work benefits when comparing across contexts (both space and time). The significance of some of the debates about context outlined in Chapter 3 that were explored in the research are also discussed, including the arguments that associate in-work benefits with socio-economic pressures and the more critical perspectives that position in-work benefits as neoliberal instruments.

Section 8.3 nuances the points made in the previous section by discussing the findings showing the extent of variation in in-work benefits across countries. It outlines five typical in-work benefit approaches or models of in-work benefits, each with distinctive attributes concerning policy orientation towards forms and degrees of dependence on the state, family and/or market. While provisions across countries are linked by the seemingly distinctive logic in-work benefits in broad terms, there also appears to be a range of different logics underpinning in-work benefit policies in national contexts, which makes universal arguments about the determinants of in-work benefits less tenable. It outlines some of the ways variation across countries relates to social policy legacies, as well as some aspects of contemporary context, which, it is argued, is likely to be helpful for building theory about the role of institutions in shaping cross-national variation in in-work benefits. Finally, 8.4 summarises the main points from the chapter.

8.1 Summary of main findings

The multiple components of the empirical investigation examining in-work benefits from different angles led to a number of key findings. First, the preliminary mapping of two archetypal in-work benefits and two possible in-work benefits identified policies in a majority of EUMS: 63% of EUMS in 2008 to 71% of all EUMS in 2016. There was, however, a split between the more and less advanced welfare states. Such policies were in place in all of the Bismarckian, Nordic and Liberal regime countries, less common among CEE and Southern European regime countries. Yet, the 2016 mapping captured an increase in Southern European countries, leaving only one country within this regime without in-work benefits (Cyprus). In contrast, a minority of CEE countries had in-work benefits for both time points. This increased from two (Hungary and Slovakia) in 2008 to four (Croatia, Estonia, Slovakia and Slovenia) in 2016, as Hungary abolished its earned income tax credit provision in 2011.

The mapping also captured variation in the form of these policies across countries. In-work cash transfers were found in just five EUMS (18%) for 2016. Earned income tax credits were in place in 12 countries for each time point. Five countries' tax credits were refundable earned income tax credits (AT, BE, LU, ES and SK) and six were non-refundable (IE, NL, DK, FI, SE, EE). Italy had both refundable and non-refundable earned income tax credits in place in 2016. Adjusted unemployment benefits were the most common sub-type. They were identified in 52% of EUMS in 2008 and 61% of EUMS in 2016. Combinations of sub-types across other countries/regimes also differed. Nordic and most Bismarckian regime countries had both earned income tax credits and adjusted unemployment benefits. In-work cash transfers were found in both Liberal regime countries, Italy, Malta and France.

The analysis of expenditure data covered 14 countries with in-work cash transfers or earned income tax credits (except Finland) from 2006 to 2017. Average expenditure in these 14 EUMS increased from less than one per cent of public expenditure in 2006 to approximately 2.5 per cent of public expenditure in 2016. One group of countries - Denmark, Italy, Sweden, Ireland and the Netherlands - spent three to six per cent of public expenditure on in-work benefits from 2012 onwards. In contrast, expenditure did not surpass one per cent of public expenditure for the whole study period in UK, Slovakia, Estonia, Malta, Luxembourg, Spain, France, Belgium and Austria.

Expenditure flat lined or declined between 2008 or 2009 and 2012 in most EUMS, coinciding with the 2008 crisis and subsequent recession. From 2012, expenditure on in-work benefits in the higher-spending group of EUMS continued to increase on average, whereas the spending trajectories of the lower-spending group were mixed. Expenditure on earned income tax credits was on average higher than expenditure on in-work cash transfers.

Beyond the regime framework applied above, the findings were contextualised with reference to socio-economic factors commonly associated with in-work benefits, in-work poverty, unemployment and underemployment. Countries with both relatively high and relatively low rates of unemployment had in place the provisions examined in this thesis. Unemployment was not strongly correlated with in-work benefit expenditure in all countries apart from the UK (pc: 0.687). Countries with the highest rates of in-work poverty were less likely to have in-work policies, but in-work poverty was also positively correlated with in-work benefit expenditure among some of the countries included in the expenditure analysis (i.e. those with earned income tax credits and in-work cash transfers). Moreover, countries with both low and high rates of in-work poverty risk had high and low expenditure on in-work benefits. In-work poverty therefore did not explain differences *between* countries in in-work expenditure.

The risk of under-employment was higher among many of the countries with in-work provisions, and it was very low in many of the countries without, the main exception being Cyprus, reflecting that the risk of underemployment, when measured as a proportion of total employment, is higher in the more advanced welfare states. High and low spending countries had high rates of underemployment. Yet, individual trajectories were interesting, for example, a sharp increase in Netherlands' underemployment rate preceded a sharp increase in in-work benefit expenditure.

Turning to the 'liberalisation' variables, there was again a mixed picture among countries with and without the in-work provisions mapped (i.e. countries with both high and low trade union density, replacement rates and collective bargaining coverage). The strength and direction of the correlation between in-work benefit expenditure and these variables also differed across EUMS but there are some notable findings. In-work benefit expenditure was negatively correlated with unemployment replacement rates in most EUMS, and strongly so in the Netherlands, Luxembourg, Sweden and Slovakia. Among the countries with collective

bargaining, a strong negative association was found for France, Luxembourg and Sweden, yet a strong negative correlation was found for Denmark. Strong positive correlations between expenditure and trade union density was found for Luxembourg, the Netherlands, Sweden and Spain. Thus, the indicators of in-work benefit expansion and liberalisation applied to the more coordinated countries.

However, again replacement rates were not consistently associated with differences between countries' in-work benefit expenditure. Countries that were the highest spenders on in-work benefits also had some of the highest replacement rates over the period studied and the correlation coefficients masked the relatively small change in either one of the indicators. For example, replacement rates (based on the indicator used for this study) hardly changed in Denmark and the Netherlands over the study period, whereas in-work benefit expenditure increased markedly.

The analysis of the orientation of in-work benefits towards different degrees and forms of state-family-market dependence shone light on further cross-national and regime variation. Although limited, indicative analysis of levels, an indicator of policy orientation towards more or less state dependence, identified the highest levels in countries with in-work cash transfers, especially for households with multiple children or dependents (e.g. Ireland and Malta). Non-refundable earned income tax credits in the Nordic regime countries and Spain also appeared to have similar maximum levels to the in-work cash transfers. Refundable tax credits in continental European countries were oriented towards a much lower degree of state dependence. Levels could not be calculated for adjusted unemployment benefits.

The sub-types of policies and certain design features and policy rules (e.g. means-tests and targeting criteria) were the main indicators of the different forms of state dependence policies were oriented towards. The fiscal and more universalist in-work provisions in the Nordic countries were thus seen to be the most privileged form of in-work benefit, that would be minimally invasive, more likely to be shielded from debates and stigma associated with means-tested benefits. At the other end of the scale, adjusted unemployment benefits, were seen to be oriented towards more punitive and stigmatising form of state dependence, because of the (often strict) conditions of entitlement and punitive mechanisms in unemployment benefits in EUMS, and because they do not have the same deservingness characteristics as other policies e.g. in-work status of recipients is not acknowledged. These

were found across many countries but it was not until the analysis of the labour market orientation of policies was it clear that many of these were highly restrictive in terms of the amounts of earnings or kinds of work that can be done, making them less likely to be considered a de facto in-work benefit, at least in a comparative sense. The exceptions were provisions in Germany, Slovenia, Portugal, Finland, Croatia and Slovenia.

In the middle of these were targeted and means-tested social welfare policies (in-work cash transfers) that contained some privileging mechanism in the explicit targeting of households in work. The additional entitlements for households with more children could be seen to signify a recognition of need that is more socially accepted than that of unemployment, especially in contexts when the latter is framed as the fault of the individual and not a structural issue. More targeted tax credits possessed the privileged features of fiscal welfare but the targeting on certain household types or parts of the labour force indicates they may be somewhat more invasive and possibly stigmatising than the more universalist tax credits.

The family orientation of in-work benefits was established by separating out individual and household level provisions. Looking only at in-work cash transfers and refundable and non-refundable earned income tax credits, individual provisions were found for Ireland, Italy, Belgium, Estonia, Finland, Denmark, Luxembourg, Netherlands and Sweden (2016 policies). Household policies were found for Ireland, the UK, France, Italy, Malta, Austria, Netherlands, Spain, Slovakia and the Netherlands. All in-work cash transfers were household benefits and the majority of earned income tax credits were household. The majority of the former directed resources towards households with greater needs in the form of more children. The implications for 'work incentives' for women/ second earners was harder to gauge from the data, but most policies had in place rules that meant levels were higher if both couples were participating in work. Yet, work requirements in some policies indicated provisions were more oriented towards a 1.5 earner family model. Some of the earned income tax credits were targeted on specific household types in a small number of EUMS (AT, NL, BE, ES, SK). Working lone parents were explicitly targeted in Austria and the Netherlands. The Working Mother Tax Credit in Spain was the only provision targeting women explicitly. Policies in Austria, the Netherlands, Belgium and Slovakia had features and rules which seemed to be more oriented towards one earner or 1.5 earner households.

Finally, as stated above, in general in-work cash transfers were targeted on earnings below and only slightly above average wage and were oriented towards a substantial degree of work hours, but this could be among members of a household. In-work cash transfers in Italy and Ireland were not available to the self-employed. Earned income tax credits were targeted on a broader range of earnings and did not restrict on the basis of employment status in the Nordic countries. Targeted earned income tax credits were oriented towards a moderate level of earnings and participation and/or on specific employment types, namely employees or self-employed.

Finally, many of the adjusted unemployment benefits included in the initial mapping were found to be oriented towards very marginal earnings or non-standard employment. Germany's Unemployment Benefit II was used as a benchmark for a de facto in-work benefit (Clasen, 2019), and it was established only five additional countries scored equal to or below this provision on the labour market indicator (France, Finland, Spain, Croatia and Slovenia). Very high scoring policies, indicating they are oriented towards very low earnings and/or very non-standard forms of employment and were the furthest from the de facto in-work benefits of the countries mentioned above, were found in Ireland, the UK and Sweden.

The further interpretation of these findings and the conclusions that can be drawn from them are discussed further in the remainder of the chapter. It brings together all parts of the analysis to set out five model approaches that vary on the different elements of the dependency relationships framework. Before that, however, it discusses what the findings tell us about broad trends and developments in in-work benefits in EUMS and the relevance for understanding wider trends and developments across capitalist democratic countries.

8.2 The rise (and demise) of in-work benefits

As discussed in Chapter 2, in-work benefits, broadly defined, are understood to have become more common among advanced capitalist democracies from the late 1990s and early 2000s. The research addressed a lack of systematic cross-national research into in-work benefits over time in order to interrogate this claim, focusing on trends and variation in what were identified as archetypal and possible in-work benefits in EUMS in recent years. All EUMS were included in the analysis to facilitate exploration of variation in in-work benefits across diverse political economy and social policy contexts. Including all EUMS also meant the investigation covered countries that are often excluded from comparative research on in-

work benefits e.g. CEE and some Southern European countries. Moreover, the time period spanned a period of economic crisis, recession and ‘recovery’, facilitating exploration of in-work benefit variation across varied economic contexts, which have been link to certain types of reform (e.g. retrenchment).

As outlined above, a large proportion of EUMS had either archetypal or possible in-work benefits over both time points, confirming claims made elsewhere that such policies are commonplace in capitalist democratic countries (Kenworthy, 2015). At the same time, more dynamism was observed among CEE and Southern regime countries, with schemes introduced very recently in some of these countries (e.g. Malta) or abolished/ effectively abolished over the study period. The inclusion of these countries was partly validated by the research because in-work benefit policies were in place. However, the trajectory of in-work benefits in these contexts indicates political support for the state’s role in the domain of direct income maintenance is newer and possibly less stable than for the more advanced countries included in the analysis.

The analysis of expenditure adds further complexity to our understanding of the trends and variation in in-work benefits. There were stark differences between countries’ in-work benefit expenditure. This split did not map on to the advanced and less advanced welfare states, as observed for the patterns of countries with and without in-work benefits, but instead appears to relate to the ‘targetedness’ and levels of credits or benefits, as compared in Chapter 6. While earned income tax credits were, on average, costlier, it is not necessarily the case that expenditure on earned income tax credits are costlier than in-work cash transfers, as is implied in some studies, as some earned income tax credits were very targeted.

Considering changes over time, increasing average expenditure over the 11 years of the analysis masked varied trends in expenditure across countries, with divergent trajectories apparent among both advanced and less advanced welfare states. Partly, changes in expenditure from 2008 onwards appeared to capture different forms of cyclical spending: Indeed, a key question for future research is whether the decline or flat lining of expenditure over the recession period for most countries reflects decreasing demand for provisions (e.g. due to a decline in people in work and eligible for benefits), the politics of retrenchment or indeed other factors.⁷² Beyond cyclical patterns, however, in-work benefits increased in

⁷² Analysis of changes in other indicators of retrenchment (e.g. levels and eligibility criteria) could have shined light on this but analysis of policy features at two time points was beyond the scope of the study.

costs quite rapidly in some contexts while costs stagnated or declined in some. Most of the increase in average expenditure from 2011/12 onwards was from the higher spend countries (e.g. Sweden, Netherlands, Denmark), which can partly be attributed to expansionary measures e.g. In Sweden, there were several expansionary reforms to its Earned Income Tax credit since it was introduced in 2007. Yet, even in these contexts, the latter years of the analysis suggest that expansion is not going to continue at the same rate; Both Sweden and the Netherlands have implemented reforms in 2016 which made their provisions marginally less universal, phasing out eligibility for higher earnings.

Of the lower-spending countries, expenditure did not always recover a recovered after the crisis, indicating the decline was not necessarily related to cyclical context. For example, in both the UK and Slovakia, expenditure on in-work benefits did not recover from pre-crisis levels. In the UK, this is attributed to the retrenchment of in-work benefits from 2012 by a centre-right coalition (Clegg, 2015). Thus, given the trends identified in the study, we cannot assume that in-work benefits are on an upward trajectory that is only stunted by cyclical pressures, nor can we assume that they are as prominent in terms of public budgets across all the EUMS where they are in place.

These findings pose problems for arguments that in-work benefits are a form of liberal social policy. Indeed, the UK, as argued by Clegg (2015) and others (e.g. Sloman, 2018), at the end of the time period of the study, was undergoing drastic reforms of its social security system (to Universal Credit) and there has also been a greater emphasis by both left- and right-wing political parties on pre-distributive strategies. Granted, this emphasis differs, as the Conservative party is focusing on higher minimum wages, whereas the Labour party has emphasized more coordinated measures, including collective bargaining, alongside higher minimum wages (Sloman, 2018). If the UK is a leader in in-work benefits and is starting to break with its former balance of pre- and re-distribution, then it may indicate that in the longer run, the politics of in-work benefits are unstable there, too (Clasen, 2019). At the same time, these political preferences could indeed be associated with changes in political economy in the UK, in which in-work benefits have a different function or role.

As mentioned above, there were other examples of instability captured in the study: the abolition of an earned income tax credit in Hungary between the two time points and the effective abolition of Estonia's tax credit policy because changes in other areas meant that

nobody was eligible. France's in-work policies were also abolished, and new provisions introduced over the time period studied. So, while at the very top level we may see a picture of stability in the countries with in-work benefits and increasing expenditure, there is considerable within and cross-country variation in expenditure and the reforms occurring within these time points, which makes universal arguments about in-work benefits hard to grapple with.

In this vein, the research also offers limited support for the idea that there has been rise of the liberal approach to in-work benefits⁷³ in EUMS. The low incidence of in-work cash transfers, akin to traditional in-work benefits in the UK, underlines this point. While the second archetypal liberal in-work benefit, refundable earned income tax credits (associated predominantly with the US' Federal EITC, were more common among EUMS, further examination of the form of these policies revealed substantial differences between earned income tax credits in these countries and the US' family-oriented, means-tested EITC. This is discussed further below.

Moreover, the prevalence of adjusted unemployment benefits among EUMS as indicated in the initial mapping requires careful interpretation. A low bar was set for counting adjusted unemployment benefit policies in the initial mapping (see Chapter 3) and, as outlined above, removing all policies with a score equal to or above Germany's benchmark benefit would reduce the number of EUMS with adjusted unemployment benefits for 2016 from 14 to 6 (including Germany). Yet, in a broad sense, the prevalence of adjusted unemployment benefits, even though many are very restrictive in the amount of work and/or earnings that can be combined with the benefit, is an important finding. It shows that there is the scope within many EUMS' unemployment benefits for these policies to operate as de facto in-work cash transfers. The parameters of unemployment benefits could be shifted to be more accommodating to work or earnings without necessarily having to introduce what would be path-breaking in-work cash transfers or earned income tax credits in many countries. It therefore may be important to 'look under the bonnet' to understand more about the state's role in direct income maintenance of working households.

Yet, as argued in the theoretical framework, the objectives and political processes underpinning the adjusted unemployment benefits are likely to be somewhat distinctive to

⁷³ This point has been argued before, e.g. Marx and Marchal (2018) with reference to in-work cash transfers but the research did not indicate where and when policies were in place.

the archetypal in-work cash transfers and earned income tax credits, but there are still many unknowns about this sub-type. They may be about allowing recipients of unemployment benefits to retain some attachment to the labour market while unemployed, without being penalised or losing entitlement to unemployment benefits, rather than the wider use of schemes to incentivise or indeed enforce participation in precarious or very marginal work. On the other hand, the finding that the number of countries with adjusted unemployment benefits increased over the study period could indeed be indicative of more convergent pressures, such as high unemployment during the recession, reforming ‘passive’ benefits and ongoing austerity (Theodoropoulou, 2018). A more fine-grained tracking of reforms to unemployment benefits over a long period would help us to understand whether such policies are indeed *de facto* in-work benefits and the objectives underpinning them. Another significant question, which was beyond the scope of this study (and not in the data), was whether the conditionality outlined in Chapter 6 that has become more prevalent in unemployment benefits also applies to those combining benefit receipt with earnings/ part-time work. If so, the objectives (and interests) underpinning policies could be more clearly read as the erosion of rights and the conditioning of income maintenance on participation in precarious work (a re-commodification/ workfare approach) (Rubery et al., 2018).

A related point for interpreting the findings with respect to questions about the rise (or demise) of in-work benefits is that these provisions on their own were not seen to represent an exhaustive list of in-work benefits. Other provisions, such as employee social security contribution reductions or exemptions, could be considered in-work benefits within the framework outlined in Chapter 3. Including these provisions could alter the patterns of expenditure across countries. Similarly, the provisions included may be too broad from certain perspectives.

Similarly, the findings complicate some of the arguments set out in Chapter 2 about the use and expansion of in-work benefits and context. As some of the highest spending countries had the lowest rates of in-work poverty during the time period covered and vice versa, the findings offer little support for the notion that governments introducing in-work benefits ‘react’ in a uniform way to changes in socio-economic context. While it could be argued that high spending countries are effective in reducing in-work poverty, there were some instances where policies were introduced part-way through the period in countries where in-work poverty was relatively low already. This aligns with the rejection of functionalistic

arguments about in-work benefits in the literature (Clasen, 2019). That being said, the problem of underemployment did appear to be salient among many of the countries with in-work benefits compared to those without, which, when considering also the longer standing history of these provisions in advanced welfare states could indicate that it is something to do with certain kinds of labour market risk associated with the more advanced economies that lead governments to implement in-work benefit policies (Bonoli, 2006; Wren, 2013).

Longer term processes associated with liberalisation (e.g. declining trade union membership) have occurred in many EUMS since the 1980s, and the increase in in-work benefit expenditure in some contexts could feed into the liberalisation thesis, if policies do indeed reduce the onus of employers to pay adequate wages and contribute to inequalities between capital and labour, for example. The research was not oriented towards exploring these outcomes. Yet, the exploration of the relationship between in-work benefits and indicators of liberalisation brought to the surface some possible avenues for theory building and future research.

For example, considering two of the high spend countries: Denmark and Sweden. The fairly rapid increase in expenditure on the earned income tax credit in Denmark, while replacement rates and collective bargaining coverage remained fairly stable, could be further evidence of ‘embedded flexibilization’ in which there is a strong emphasis on labour market participation through in-work benefits but protection from the risk of unemployment remains high (Thelen, 2014). The presence of skills development and training in this context would also support this argument (Ibid). In contrast, Sweden’s expenditure on earned income tax credit expansion occurred alongside a decline in replacement rates and, although not as drastic, collective bargaining coverage. This could be seen as a starker form of liberalisation as social rights for the unemployed are eroded as well as the coverage of institutions that negotiate pay on behalf of labour.

Yet, the analysis of the relationship between liberalisation and in-work benefits only scratches the surface in terms of indicators of both in-work benefit expenditure and of liberalisation. The latter is often measured and analysed from multiple dimensions, including changes in the shape and form of collective bargaining which are not captured by these indicators, as well as other domains not covered here, such as employment protection legislation.

Moreover, arguments about trends based on the expenditure analysis should be interpreted with caution. As detailed in Chapter 4 of this thesis, issues concerning validation of data and the method to estimate expenditure was somewhat ‘experimental’ given the lack of precedent for this approach to compare expenditures on in-work benefits. Moreover, there are also issues with interpreting expenditure data without knowing the reasons behind changes for all countries. For a number of examples, the main data sources described the relevant policy reforms, including the abolition (e.g. in the Netherlands) or introduction of provisions (e.g. in Spain), and the changing of policy parameters, that could lead to increase costs. Yet, expenditure could also decline because of changes in demand, for example.

Helping to make sense of this complex picture, the variance in the in-work benefits in EUMS’ discussed below illuminates that there are other-cross cutting objectives and ideals that are likely to reflect the national political dynamics at play in in-work benefit reforms. This includes those relating to social policy legacies.

8.3 The varied orientation of in-work policies

The comparison of the design features, rules and expenditure on in in-work policies, through the lens of the dependency relationships framework, led the identification considerable variation in EUMS’ in-work benefit policies. However, it is important to stress that the headline finding that countries’ in-work policies vary is not new. Many of the studies reviewed in Chapter 2 describe the ways in which policies are designed differently across countries, looking at similar design features and rules examined in this study, albeit for different groups of countries or time points (e.g. OECD, 2003; Cousins, 2015; Kenworthy, 2016). Indeed, the findings on the varied orientation of in-work policies presented in this thesis reiterate and indeed confirm some of the main findings about policy design and the salient features in these other studies.

Yet, much of the existing comparative analysis, sitting within the grey literature, has applied a technocratic or economic lens, chiefly to assess whether policies are likely to meet their stated employment and redistribution aims, and/or the possibilities for introducing or reforming in-work benefits in select countries. The identification of trade-offs involved in in-work benefit design in this literature illuminates mainly the technical decisions that policy makers are likely to take into account when deciding on in-work benefit strategies, including whether certain forms of in-work benefits are likely to be effective in contexts with flatter

wage distributions or a high minimum wage (e.g. OECD, 2003). Yet, the focus on technical/practical ‘costs’ (Gingrich, 2014) overlook the political and sociological dynamics associated with in-work benefit reforms identified in studies looking at specific contexts (Marx et al., 2012; Clasen, 2019; Grover and Stewart, 1999; Vlandas, 2013). And thus, the approach in this study was to develop a way of assessing the varied logics and objectives across a diverse range of countries that facilitates an exploration of in-work benefits with respect to historical and contemporary context⁷⁴.

Given these aims, it is therefore fruitful to extract from the research a stylised summary of variation in-work benefit policies. Based on the application of this framework to the empirical investigation into EUMS’ policies in this thesis, five ideal-type models of in-work benefits are summarised in Table 8.1 below. After outlining the characteristics of each and the countries where these approaches were found, I discuss how and the extent to which countries align with each approach and consider how historical and contemporary contextual factors may feed into this variance. More specifically, I consider the role of social policy legacies and attempt to characterise the use of provisions in terms of what kind of change or continuity they represent in the countries in which they are used, in line with the broad framework presented in Chapter 3, Section 3.1.3.

The first can be summarised as the archetypal, means-tested social in-work benefit that explicitly target working households. They have a relatively high orientation towards state dependence, especially among households with multiple children, seemingly towards the goal of redistribution in order to reduce poverty among working families with children through the transfer system. Such policies are oriented towards a relatively invasive and visible form of state dependence within the social security system. The targeting and means-testing require an assessment of resources, household composition, relationships between adults and children, and the labour market participation of adults considered able to work. Yet, the targeting on in-work households, and emphasis on children, likely taps into ideas of deservingness based on participation and need (Oorschot and Roosma, 2015).

Such provisions are oriented towards a moderate degree of labour market participation, typically around or above full-time work among a couple, that is sufficient to bring families above the poverty line. The latter is shaped mainly through minimum and maximum earnings

⁷⁴ Moreover, the methodology set out in Chapter 4, can be used to assess the findings (methodology was absent in much of the grey literature). And the empirical analysis of expenditures covers new terrain.

thresholds, but some provisions (e.g. the UK and Ireland) have rules concerning hours of work (to prevent low ‘work effort’). Interdependence among members of a household for resources is enforced in the design of these policies, as is the tying together of the labour market participation of adults within a household.

The second approach is low to moderate (in terms of the size of the award) refundable earned income tax credits, which emphasize small financial incentives to structure the balance of familial and labour market dependencies for specific household types, e.g. sole earners or lone mothers. As a form of fiscal welfare, this form of dependence on the state is likely minimally invasive, the levels among of these credits also indicate they are oriented towards a fairly minimal level of state dependence for the households that receive them. However, they can be received as a transfer and thus are possibly more visible in terms of a form of state dependence than reductions in liabilities. Although a focus on certain family types links these policies, there was a split among provisions that appeared to hark to more conservative logics, facilitating a male breadwinner or a 1.5 model, offering some additional financial support to the second earners, whereas other policies were about lone parent households or the activation of *mothers* specifically (in the case of Spain).

The third model was similar in the degree and form of state dependence provisions were oriented towards to the second model⁷⁵. Yet, the emphasis on these policies was the level of earnings or type of employment, typically these take the form of separate schemes for different types of employment (e.g. self-employed and employees). The earnings thresholds are narrower than those in the earned income tax credits in the fourth model outlined next (e.g. credits were phased out at a lower rate of income). Typically, provisions were individualised. The emphasis appeared to be more about financial incentives to work for select groups of workers defined in both earnings and employment status. The levels of earned income tax credits were also relatively low in most of these countries indicating a limited orientation towards state dependence for income maintenance among recipients.

⁷⁵ At the end of chapter 6, provisions in Austria, Luxembourg, Slovakia and Spain were grouped as they were linked by several key design features and their overall level of expenditure. The main approach observed in these countries are more targeted earned income tax credits. Yet, the emphasis on work or family composition is what is seen to set these models apart.

Table 8.1 Five versions of in-work benefits oriented towards distinctive combinations of dependence on the labour market, state and the family

	Summary	State		Family		Labour market		EUMS
		Degree	Form	Degree	Form	Degree	Form	
1	In-work cash transfer, means-tested, household (children +)	Moderate - high	Social welfare. Invasive, targeted, but in-work status and need acknowledged	High	Interdependence between all members of household premised on needs-based & residual logic	Moderate to high (split between household)	No clear orientation	France, Malta, Ireland, Italy, <i>UK</i> (outgoing)
2	Refundable EITC targeted on household composition	Low - moderate	Fiscal welfare. Minimally invasive, targets select household types, in-work status acknowledged.	Moderate	Partial dependence, either between spouses and/or between one member of household and dependent children	Low to moderate	No clear orientation	Austria, Spain, Slovakia, Netherlands
3	Refundable EITC targeted on low income work	Low - moderate	Fiscal welfare. Minimally invasive, targeted, in-work status acknowledged.	None/ Low	Individualised	Low to moderate	Employment/ occupational separation across policies	Belgium, Luxembourg, Italy
4	Non-refundable EITC, near universal	Moderate - high	Fiscal welfare. Minimally invasive, more universalist, in-work status acknowledged	None/ Low	Individualised	Low to very high	Inclusive	Sweden, Denmark, Netherlands, Finland, <i>Italy</i> , <i>Ireland</i>
5	Implicit/ hidden in-work cash transfers, targeted and punitive	?	Social welfare. Punitive, invasive, in-work status blurred	None/ Low (contributory); Moderate/ High (assistance)	Individualised (contributory) or interdependence among household members for resources if assistance	Low	Non-standard work, exclusionary/ limited	UK (incoming), Germany, Slovenia, Finland

Notes: Stylised summary of the analysis of in-work benefits in EUMS in this thesis, applying the dependency relationships framework developed in Chapter 3 of the thesis, utilising multiple sources, applied to the empirical investigation of in-work benefits in EUMS 2006 to 2017.

The fourth approach again has the privileging features associated with earned income tax credits: fiscal welfare that is less invasive, the association with work and the explicit recognition of work in the targeting of working households and/or those with *earned* income. Yet, this policy is also non-refundable, as such it is assumed to be a less visible and obvious form of state dependence for the households that receive them and it therefore further away from an association with welfare than refundable tax credits. At the family level, policies are individualised, thus they emphasize individual activation and are not oriented towards interdependence among members of a household. Finally, in terms of labour market participation, such provisions are widely received, those with low and high earnings are eligible. They are typically phased out at around about average earnings but can be received far up the earnings distribution, as such they are the most universal of all provisions. In a similar vein, do not have a clear standard or non-standard orientation and encompassing in terms of the form of labour market dependency that they are oriented towards.

The fifth model of in-work benefits was identified by the further investigation into adjusted unemployment benefits, but it consisted of countries, which predominantly used social security measures that grouped in-work recipients with out-of-work recipients under the same benefit. These countries are grouped together due to their use of social in-work benefits and the *implicit* targeting of in-work households. The approaches in these countries are similar to the means-tested in-work cash transfer schemes – although we know very little about the levels of benefits and thus the orientation of policies towards different degrees of state dependence. Yet a key difference is that such provisions do not acknowledge in-work status of recipients, nor is there a clear emphasis on children, like in the in-work cash transfer model. Theoretically, this distinction is likely to matter, as it moves away from the targeting on working families, that could be considered more deserving than the unemployed.

Countries are listed next to the approach they most closely resemble. If countries combine approaches, they are listed next to all that provisions in that context resemble. Moreover, countries in italics are those with policies that mainly align with the approach but has an idiosyncratic feature that is considered important for understanding the precise orientation of provisions in each country towards different forms or degrees of dependence on the state, labour market or family. First, France, Malta, Italy, Ireland and the UK had in place

provisions resembling the first type. In the case of the UK, this is Working Tax Credits⁷⁶. Next, the second type reflects policies in Austria, Spain, Slovakia, Netherlands. Policies in Belgium, Luxembourg, Italy resemble the third. The fourth model is based on provisions in Sweden, Denmark, Netherlands, Finland, and to a lesser extent, Italy, Ireland. The fifth approach represents policies in the UK, Germany, Slovenia and Finland.

There is some overlap with existing typologies in the literature. For example, Kenworthy's (2015) oft-cited discussion paper argues that among OECD countries there are three main types of in-work benefit: (1) large refundable tax credit or cash transfer with phase-in and phase-out ranges; (2) large reduction in employee tax payments; and (3) large tax credit or cash transfer with no phase out. The plainest overlap is with Kenworthy's third type and type four here. Indeed, Kenworthy's (2015) example of the third approach is Sweden, so the findings are complimentary and provide further evidence of the Swedish approach in other Social Democratic regime countries. Yet, noteworthy type one combines types 1 – 3 here. This section discusses in more detail the examples of these approaches in EUMS and considers the historical and contemporary context that may help to characterise their role and significance in select contexts.

The countries with a variant of the first approach include France, Ireland, Malta, Italy and the UK (outgoing in-work benefits). The relevant in-work benefits in these countries are alike in the use of social security measures explicitly targeting working households with moderate to strong orientation towards state dependence and dependence among members of a household. They are closest to the historical schemes of the UK with an orientation towards moderate state dependence but conditioned on the basis of need.

As Vlandas (2013) has already argued, such reforms are path-breaking in Bismarckian France as they target outsiders (and are funded by general taxation), in a country where social provisions have a strong insider orientation and an insurance-based logic. The Activity Allowance appears to be a continuation of the previous reform. Malta is not always included in regime research. The continuation of policy logics is therefore hard to assess. Yet, later benefit reforms in Malta made it so that sole earner households also became eligible for the benefit. This could reflect ongoing religious (Catholicism) preferences for provisions that

⁷⁶ The inclusion of a policy labelled tax credits in this group is somewhat confusing. Yet this policy is considered a means-tested benefit all in all but name only (Clegg, 2015). However, the framing of the policy is likely to be important to its politics and the could impact upon the experiences of receiving it. The disconnect between framing and actual policies is something to be examined in future research.

facilitate breadwinner model despite ‘activation’ and poverty reduction agendas of which a goal is two earner households (Briguglio and Bugeja, 2011, p.15). However, the sole earner benefit is at a considerably lower level than the benefit for two-earner or lone-parent households, indicating a clash of objectives and a later curtailing of the activation logic but only minimally.

The targeting on employees and their dependents, broadly defined, in Italy implies some continuation of a Conservative-Corporatist policy logic rather than the introduction of a Liberal-style in-work cash transfer. A number of secondary sources actually date the original version of the policy to before in-work benefits were implemented in the US and the UK, which is at direct odds with the idea that wage subsidisation during periods of employment is a Liberal phenomenon. According to (Guerra, 2015, p.245) the family allowance was:

‘...introduced in the 1930s in order to assist workers with dependent children. It was financed mainly by the employer... It was therefore a categorical instrument of an insurance type, and its characteristics were maintained until the beginning of the 1980s’.

The author goes on to explain, however, that from 1983 the benefit was reformed ‘from an insurance instrument to a welfare one’, based on a number of key characteristics: (1) it became funded from taxation, not contributions; (2) it became focused on vertical redistribution between higher and lower income groups as it became means-tested at the household level and; (3) recipients therefore did not have to have dependents to be eligible (Guerra, 2015, p.246). Yet, it retained its categorical emphasis on employees.

The longer history of this benefit is one of categorical entitlements and encouraging interdependence among families and therefore very different to the liberal model (ibid). While reforms in the 1980s did away with many of these characteristics, and the provision became closer to addressing poverty among low-income working households associated with the Liberal regime countries, the continuation of categorical eligibility is evidence of the constraints imposed by policy legacies in this context.

Policies informing the second model were those in Spain, Slovakia and Austria, where eligibility and entitlement is tied to number of children and/or earners. A broad logic situating the family as the tax-benefit unit informs these policies which appears to link to

social policy legacies in these countries. All bar Slovakia have been categorised as Corporatist-Conservative regimes in welfare regime analysis. Slovakia is similar to the other countries given its religious composition as a predominantly Catholic country (Ebbinghaus, 2012, p.18). The familial dimension of policies can therefore be understood with reference to the traditional breadwinner care-work models and the principle of subsidiarity associated with Conservative regimes (Esping-Andersen, 1990; Lewis, 1992).

In this vein, Austria's sole earner credit appears in part to be oriented towards preserving a family model which puts the emphasis on there being one main breadwinner (Lewis, 1992) as the income of the recipient's spouse is restricted at a low annual level and only one member in a household can claim the benefit. The level of the credit increases with the number of children. Indeed, women's part-time employment in Austria is very high among EUMS and, in line with other studies; the policy could be part of a wider package reinforcing this pattern of gendered labour market dualism associated with the Conservative welfare regime (Häusermann and Schwander, 2010). The scope for some labour market participation of the spouse does suggest a slight deviation from the model into what is called 'an adapted male breadwinner model' or 'dual breadwinner model with female part-time work', which Leibetseder (2013, p.558) argues has become increasingly common in Austria for women with caring responsibilities, especially among those with higher education. At the same time, the lone parent credit implies more of a 'sameness' ideal between men and women, whereby either are considered able to look after the child (Leibetseder, 2013).

In contrast, the objectives behind the Working Mothers Tax Credit in Spain, which has low rates of women's employment relative to other EU member states, could be an attempt to offset a male breadwinner model by activating mothers specifically (Lombardo, 2016). The emphasis on mothers is at odds with one branch of feminist ideals that argue women and men should be treated as equal citizens in tax and benefit systems and all encouraged to participate in the labour market (Leibetseder, 2013, p.545), but it could align with those that stress that social policy should support women's role as caregivers and workers, if that is what they choose.

Evaluations of the policy shine more light on the possible policy goals, with some indicating the policy slightly softens the taxation system, which is oriented towards single-earner households because of joint-taxation, whereas others find no employment effects. One study

also found a significantly positive effect on fertility (Ayala and Paniagua, 2018). The orientation appears to be towards increasing the labour market participation of women but the limits of the policy to do so could reflect constraints of institutionalised conservatism in the form of the joint taxation system and a wider institutional, social and cultural context limiting women's participation in the labour market. These provisions may be the result of 'feedback effects' whereby the taxation system is seen as producing undesirable outcomes in terms of women's employment but the costs of overhauling it are seen as too great (Weaver, 2010). Again, the findings pave the way for further research into the institutional constraints on in-work benefit policymaking, specifically with regards to historically institutionalised gendered inequalities.

Turning to the third model, in some ways, these schemes are similar to the first approach because of the needs-based logic apparent in the targeting on restricted range of low to moderate earnings. Yet, policies are individualised and phased in as earnings increase implying employment goals may trump poverty-reduction (Immervoll and Pearson, 2009). Moreover, as Marx et al. (2012, p.20-21) posit, there are considerable barriers to introducing path-breaking reforms that resemble those associated with the archetypal schemes in Bismarckian 'regimes'. First, in social protection they argue 'there are specific limits to the extent to which need-based elements can be introduced' because '...the primacy of the contributory and equivalence principles may limit the extent to which this is feasible' (ibid, p20). They also state that the social partners involvement in social security and wage setting mean that goal of poverty alleviation would have to be reconciled with 'other considerations and interests' (ibid, p21). However, they argue that in the Belgian context, such measures have limited effect on poverty because individualised provisions do not effectively target households in poverty (ibid, p39).

Moreover, eligibility to provisions is tied to occupational and employment status, which likely reflects the fragmented tax benefit systems. Targeting based on occupational status within these countries could imply a continuation of categorical differentiation within tax and social security reinforced in Conservative regimes. For example, the separate scheme for civil servants (in Belgium) and employees and the self-employed, appears to be an example of policymaking occurring within institutional parameters of separate tax regimes for these groups. Ireland and Italy also have separate earned income tax credits for employees and the self-employed. These separate schemes in Ireland and Italy do not fully

conform to the third model because they are not as targeted. Yet, the later development of Italy's earned income tax credit policy – the '80 Euro Bonus' introduced in 2014 – is targeted on a narrower range of earnings than its other earned income tax credits, making it more like the Belgian 'Fiscal Work Bonus'.

Fourth, the study contributes further evidence of similarities among the Nordic regime countries and the Netherlands. This group of countries is particularly striking as it aligns more with Esping-Andersen's (1990,1999) social democratic regime than with Ferrera's (1996) framework. When looking at policy design and rules, there appears to be a broad historical contingency to the flavour of in-work benefits in the Social Democratic countries. In-work benefits in these countries mainly comprised of earned income tax credits of a relatively high level (maximum levels, relative to other countries' earned income tax credits) that were for the most part individualised and could be received across a wide range of earnings. While it was not possible to estimate expenditure for Finland, the universality (in terms of the range of earnings up until which individuals are eligible) underpinning policies and the moderate levels were reflected in the high expenditure on in-work benefits in Denmark, Sweden and the Netherlands. There were not, unlike some countries, separate earned income tax credit policies for certain households or employment status in Finland, Sweden or Denmark. Individualised provisions in these countries deemphasize the family as a source of welfare in line with the logic of Social Democratic states, which have prioritised both men and women's labour market participation, as per the framework set out in Chapter 3. The relative generosity and the fact that provisions can be received by a wide spread of the earnings distribution reflect the universalism and solidaristic underpinnings of social democratic provision. The use of fiscal welfare could imply an intention not to subject recipients to stigma or invasiveness of a means-tested social security benefits.

Yet, stepping back, provisions could imply a (further) break with the broader logics and institutional form of this model. Earned income tax credits could effectively be considered a wide-ranging income tax cut and could be used when more coordinated wage regulation approaches are weakened (Picot, 2018). Thus, while the 'micro-institutional features' imply a continuation of social democratic policymaking, the broader impetus of policies could be at odds with this. The form of tax credits in these countries also leads to a more fundamental suggestion that such policies may be best understood as income tax cuts as opposed to in-work benefits per se. However, earlier studies of other cuts in income taxation in social

democratic countries have interpreted such reforms as *incremental change* rather than wholesale erosion or unravelling of the social democratic welfare state in line with a liberalisation/globalisation agenda (Steinmo, 2002; Lindbom, 2001). Whether or not this change is transformative – shifting the goals and logics of policy – also depends on changes in other institutions. In the case of Sweden, in-work benefits did coincide with the unravelling of protections and corporatist arrangements based on the indicators employed in the study. Yet, in Denmark, the changes may be less significant from a liberalisation lens, given that protections appeared to remain stable. Indeed, further efforts to contextualise the role of in-work benefits in these countries, paying attention to corresponding labour and social market policy, will aid the interpretation of implications and drivers of these provisions.

Further, variation among Social Democratic regime countries in the overall package of in-work benefits is also significant from the perspective of regime theory as it supports the idea of hybridisation in the Netherlands and Finland (Ebbinghaus, 2012, p6; Arts and Gellissen, 2002). Both countries combined earned income tax credits with adjusted unemployment benefits, which were found to be conducive to combining a relatively substantial amount of work and earnings with unemployment benefit receipt⁷⁷⁷⁸. Earned income tax credits in the Netherlands also had a familial slant reflecting its conservative/Bismarckian heritage.

The Finnish case is particularly interesting. Finland's welfare state has parallels with Conservative regime countries, but the use of adjusted unemployment benefits arguably better captures a more Liberal approach in the increased emphasis on 'activation and competitiveness' in Finnish social policy with less investment in active labour market policies than in other Social Democratic countries. In Finland, eligibility for unemployment insurance provisions has been made more stringent, creating a hole, which has been 'filled' by means-tested unemployment assistance (Halmetoja et al., 2019, p.321). While Halmetoja et al. (2019, p322) describe Finnish reforms as the 'increased behavioural control of labour market outsiders and the imposition of a harsher sanctioning regime', the adjusted

⁷⁷ The short-term and medium-term earnings-related contributory unemployment benefit and a supplementary means-tested unemployment benefit both disregard 30% of earnings and allow recipients to work as an employee while receiving the unemployment benefit. The means-tested benefit however has strict work hours restrictions and is assessed at the household level.

⁷⁸ Denmark and Sweden were alike in that adjusted unemployment benefits were either not used or were very restrictive and thus not oriented towards supplementing paid work

unemployment benefits identified in this study were in both contributory and assistance unemployment benefits and likely to be received by both insiders and outsiders.

Therefore, reforms could signal a weakening of social rights across both insiders (recipients of contributory benefits) and outsiders (recipients of assistance benefits) and thus deregulatory liberalisation instead of dualization (Thelen, 2014). Key to understanding this, however, is how adjusted unemployment benefit rules operate in practice across both groups – an important question for future research.

In terms of the fifth model, such approaches could imply a more incremental shift, instead of a path-breaking option such as in-work benefits, in contexts where these have not been previously used and could be at odds with logics that earnings from work should be adequate and an opposition to extending means-tested benefits to working households. Political actors wanting to pursue wage subsidies may therefore opt for ‘hidden’, ‘invisible’ or ‘implicit’ in-work benefits. The insights from Clasen’s (2019) case study of Germany highlights that the adjusted minimum income scheme, Unemployment Benefit II, part of the Hartz IV reforms, was a compromise between political actors where there was not support for a traditional in-work cash transfer policy. Yet, the adjusted scheme eventually became high-profile and widely criticised as the number of working claimants receiving the benefit (who became known as ‘Aufstocker’ meaning ‘people who top up’) exceeded expectations (Clasen, 2019, p.6-7). This eventually led to calls for ‘cost containment and retrenchment’ but the reality of such reforms were ‘miniscule’ (ibid, p7-8). Despite this, the case leads Clasen (2019, p.10) to argue that in-work benefit policy preferences in Germany are ‘unstable and party-political agreements all but solid’. More specifically, he questions whether ‘integrated’ (or implicit) in-work benefits are less politically legitimate compared with in-work cash transfer schemes (ibid, p.12).

Indeed, there is further evidence of this instability in the UK, as discussed above, which might be considered an ‘integrated’ or implicit in-work benefit because it combines in-work support with additional benefits, including unemployment benefits. However, the politics of Universal Credit has focused more on other aspects of the reform, indicating the instability linked to in-work provisions that may arise indirectly because of the benefits in which they are housed (Abbas and Jones, 2018). As discussed above, Finland also signalled a hybrid between this and the Nordic model, and increasing conditionality in unemployment benefits

has been the subject of protest and debate (Halmetoja et al., 2019). Therefore, associated features of adjusted unemployment benefits or indeed features they take on because of their integrated status (e.g. more punitive elements) may also drive instability.

In contrast, the more universal-fiscal provisions in the Social Democratic regime countries, could have more staying power because they are more ‘solidaristic’ (albeit in a way that could also paradoxically undermine other forms of solidarity over time) (Esping-Andersen, 1990; Palier, 2010). In-work provisions that are based on historical policy logics, such as those supporting sole earner households or mothers, may also have more staying power if they signal continued logics despite the drastically different context of contemporary capitalism.

In sum, the analysis of EUMS’ in-work policies, employing a framework to compare their orientation towards different forms and degrees of dependence on the family, labour market and the state, highlighted seemingly cross-cutting objectives and interests that could be shaping diverse in-work benefit reforms across these countries. Considering the extent to which the distinctions between countries resembled or break from the characteristics and logics associated with EUMS’ in ideal-type models of welfare capitalism shone light on the likely role of existing social policy legacies in shaping some countries’ in-work benefit pathways. It provided further support for the argument that archetypal in-work benefits were rare, but not insignificant. More specifically, this led to the identification of five model approaches, which partly aligned with, but also nuanced and extended, existing typologies of in-work benefits in the literature (e.g. Kenworthy, 2015).

This typology served as a springboard to integrate secondary sources that had been developed in relation to individual country cases into a broader discussion of the historical and contemporary political and social dynamics of in-work benefit reforms in a comparative perspective. Across the five models of in-work benefits, there are aspects of policies that appear to retain logics and/or ‘micro-institutional features’ (Clegg, 2014, p.160) of past social policy making that are related to the organisation and regulation of capitalism, the role of the family, specifically women, and the status and rights of working households. Paradoxically, the starkest example of this was in the Social Democratic countries with more universal, individualised and relatively high-level provisions, which at a more fundamental level could serve to (further) erode more encompassing welfare states and other forms of

wage regulation (Farnsworth, 2015; Picot, 2018). Similar examples of in-work benefits that at once echo past policymaking while also breaking with some of the fundamental aspects of policy logics were found in Spain, Austria, Italy and the UK. In this sense, social policy and/or other institutions may be seen to exacerbate problems for political actors (e.g. women's low labour market participation) but radical overhaul may not be an option (Weaver, 2010; Béland and Powell, 2016; Béland, 2019). Instead, policies retain some of the characteristics of past policymaking, indicating a more incremental approach.

8.4 Conclusion

This chapter firstly summarised the main findings from the empirical components of the research. It then discussed what these findings mean considering claims about the rise, spread and demise of in-work benefits in capitalist democratic countries. It concluded that the findings offer further support to claims that tax and benefit policies bringing about a 'novel' role for the state in the domain of direct income maintenance for working households are in place across a diverse range of EUMS, and that recently there has been an increase in the countries with these provisions because of the introduction of policies in Southern, Central and Eastern European countries between the 2008 and 2016 mapping. However, for the countries often considered to be the more advanced welfare states among the EUMS, there was no overall change in the number of countries with these provisions.

Moreover, the trajectories of expenditure differed quite markedly across countries with earned income tax credits and in-work cash transfers (the only provision types included in the expenditure analysis). In some countries, expenditure was a lot higher (e.g. over 1.5% of GDP) and had increased over the time period (e.g. Netherlands, Sweden, Denmark, and, to a lesser extent Ireland and Italy). In countries with more targeted earned income tax credits or in-work cash transfers, expenditure was a lot lower, declining in some contexts (e.g. the UK and Slovakia) but increasing in others, especially from 2015 onwards (e.g. Luxembourg, France, and Spain). Moreover, contextualising these findings with respect to socio-economic and institutional context illuminated that different processes and determinants may be behind in-work benefit reforms in across EUMS. At the same time, there are limits to what we can take from this analysis on multiple counts. These are discussed further in the final chapter.

The next part of the chapter brought together the separate insights from the application of the dependency relationships framework to compare EUMS' in-work provisions. It outlined

five stylised models of policies that had been identified in the empirical investigation and discussed the potential logics and objectives underpinning these models, reflecting mostly on how they relate to social policy legacies across European welfare regimes. Bringing in additional insights from secondary sources enriched the discussion, including to understand whether and why/ why not policies have been effective in achieving the stated or assumed aims in national contexts. In many cases, the form and design of policies in national contexts indicated that provisions were shaped by the institutional context, either in terms of social policy legacies or the wider regime constraining or creating opportunities for particular kinds of in-work benefit. This consideration of policy legacies also provided a base line with which to describe the character of reforms more dynamically.

For example, France and Italy's in-work cash transfers both appeared to be cases of path-breaking policy making, even though Italy's occurred over a longer period (incremental), with the gradual reconfiguration of Family Allowances, which actually have a longer history than the archetypal schemes associated with liberal welfare regimes. In contrast, some Nordic regime countries were characterised as potentially paradoxical in that they possessed features associated with income maintenance in these countries (e.g. higher levels, individualised, more universalist) yet they were also a form of income tax cut. Similar limitations to those outlined above apply to this part of the research in terms of the scope of the empirical investigation and issues with data. More specifically, there were some limits to the operationalisation of the dependency relationships framework and missing data, which was discussed in each individual chapter, and again requires some degree of caution, as missing data could shift the conclusion about the orientation of policies towards labour market, state and familial dependence.

The next chapter summarises the thesis as a whole, sets out the answers to the research questions and states the contributions of the thesis. Importantly, it elaborates on some of the limitations discussed in this chapter and discusses broader limitations of the study, which leads also to the suggestions for future research.

9 CONCLUSION

This thesis examined trends and variation in-work benefits in an empirical investigation that spanned all EUMS, and the time period 2006 to 2017. In-work benefits were deemed a distinctive area of policy that speak to ongoing normative and intellectual debates in comparative political economy and welfare state research, including the viability of existing institutional arrangements and societal expectations regarding the ideals about paid work bringing independence from the state (and, in some contexts, the family), the responsibility of employers (and governments) to ensure that wages are sufficient and debates about (neo) liberalisation, as well questions about the extent and nature of policy convergence and divergence in post-industrial societies.

Yet, despite broad claims about in-work benefits becoming more commonplace from the late 1990s onwards, the literature review chapter identified a number of interrelated gaps in comparative in-work benefit research, including: lack of systematic research into countries use of in-work benefits cross nationally and over time; inconsistencies in the ways in-work benefits were conceptualised and defined for comparative research; the predominant application of a technical or economic lens in comparative work; and, as a result, limited consideration of the social and political dynamics of in-work benefits that likely underpin in-work benefit variation.

The gaps in the evidence base on trends and variation in in-work benefits were, however, considered significant obstacles that needed to be addressed prior to developing and testing theory about how and why countries in-work benefits vary and the consequences of this beyond policy outcomes relating to the stated or assumed objectives of in-work benefit policies. This led to the first research question about trends and cross-national patterns of in-work benefit policy development, along with sub-questions about the nature of trends and the form policies take:

- 1) What is the nature and extent of variation in in-work benefits in EUMS?
 - a. Have in-work benefits become more commonplace in recent years?
 - b. How common are archetypal in-work benefit policies associated with liberal regimes?

The second literature review chapter developed the framework further in two parts. Drawing on comparative political economy and welfare state research, it proposed that the concept of

in-work benefits is at odds with the broad ideal that paid work guarantees independence from the state, at least in the domain of direct income maintenance. At the same time, it acknowledged that the logics and arrangements concerning the role and balance of the state, market and family have not been uniform across countries, nor have they remained static over time, and many view the social, economic and political transformations from the latter half of the 20th century as profoundly unravelling the institutions and logics of industrial capitalism. Using ideal-type frameworks and stylized arguments about convergent pressures on policy making in EUMS culminated in a conceptual framework for interpreting cross-national differences and similarities in countries provisions that would take into account the historical and contemporary pressures potentially shaping in-work benefit variation.

Moreover, the second part of the framework considered the concept of ‘dependency’ as a key fault line across capitalist democracies, that had been conceptualised in existing literature not focusing on in-work benefits as reflecting interests and logics concerning the role and responsibility of the state, family and the market. I thus set out a ‘dependency relationships’ framework, which was used to tentatively define in-work benefits and compare the salient features of policies, considering the ways and extent to which provisions are oriented towards fostering or reinforcing different forms and degrees of dependence on the state, the labour market and the family for working households.

This chapter thus led to the development of the second and third research questions:

- 2) To what extent and in what ways do EUMS’ in-work benefit policies vary in their orientation towards dependence on the labour market, state and the family?
- 3) How does variation in EUMS’ in-work benefits policies map on to historical and contemporary context?

Employing a cross-national comparative methodology, focusing on all EUMS as a starting point for theoretical and practical reasons, the thesis addressed the questions through a number of separate yet overlapping components in the empirical investigation. A summary of the findings from the thesis and the interpretation of these findings was the focus Chapter 8. They are summarised briefly with direct reference to the research questions here.

First, in terms of the nature and extent of variation in in-work benefits in EUMS (RSQ1), the study comprises evidence that such policies were indeed widespread across a diverse

range of welfare states represented by EUMS already in 2008, the first year of the mapping exercise. It also showed that the countries often characterised as being the less advanced welfare states were also less likely to have in-work benefits and that schemes were introduced more recently in some Southern and Central and Eastern European countries between 2008 and 2016, indicating policies may be used as a welfare state ‘evolves’ but also that such provisions have come more common place. These findings thus pointed to a slight yet potentially important (because of the countries involved) increase in the prevalence of in-work benefit policies in capitalist democratic countries (RSQ1a). Yet, this was contingent on the broader definition encompassing of both archetypal and possible in-work benefits that set the policy parameters of the research. Of the archetypal provisions (RSQ1b), in-work cash transfers and refundable earned income tax credits were relatively rare, but the number of countries with these provisions increased over time. Similarly, the expenditure analysis showed average expenditure on in-work cash transfers and earned income tax credits increased between 2007 and 2016, but this was not the case for all countries, with expenditure stagnating in some contexts.

Second, the research outlined the extent and ways in which EUMS’ provisions vary in their orientation towards degrees and forms of dependence on the labour market, state and the family (RSQ2). These were summarised in five overarching approaches to in-work benefits identified across EUMS in the previous chapter (RSQ2). Model one comprises the archetypal, means-tested social in-work benefit explicitly targeting working households, associated with historical policies in liberal contexts that encourage interdependency within families and tie together the labour market activity of recipients within a household. It implies a moderate degree of state, family and labour market dependence for working households. Countries represented by this model include the UK (outgoing in-work benefits), France, Malta, Italy and Ireland.

The second model takes the form of fiscal in-work benefits targeted on the basis of familial and gender considerations. Such provisions are mainly oriented towards a modified breadwinner model (some activation for the second earner) (Lewis, 1992; Leibetseder, 2013). At the same time, they comprise a less invasive and most likely privileged form of state dependence as a fiscal benefit (refundable earned income tax credits). Countries where this approach was observed include Austria, Spain, Slovakia and the Netherlands.

The third is also a fiscal in-work benefit but targeted on the basis of earnings and/or employment relationship and also takes the form of refundable tax credits. Such policies were identified in Belgium, Luxembourg, Ireland and Italy. These provisions are oriented towards minimal to moderate state dependence and are typically individualised. The targeting within these schemes implies a somewhat more invasive role for the state and the separate targeting on occupational or employment status indicates policies are oriented towards maintaining some differences between types of work. The fourth model is summarised as fiscal, universalist non-refundable earned income tax credits, premised on an active worker model. Sweden, Denmark, Finland and the Netherlands had provisions that aligned with this model. The fifth model – implicit in-work cash transfers – are characterised by their orientation towards a punitive and potentially stigmatising form of state dependence and more precarious or marginal forms of work. The main examples were found in the UK (incoming in-work benefit), Germany, Slovenia and Finland. Thus, some countries (e.g. Finland, Italy and Ireland) combined these models.

This variation helped to make sense of the complex picture that emerged from exploring broader trends and variation in in-work benefits and indicators of context (RSQ3). Historical context, namely social policy legacies, appeared to play out in some countries' in-work benefit reforms, namely in the micro-institutional features, such as the extent and nature of targeting, that are associated with certain interests and ideals (e.g. about acceptable levels of inequalities between groups of citizens). Yet, there were also some clearer examples of path-breaking policies. Contemporary context was explored with two main groups of factors: liberalisation and labour market risks (socioeconomic) that are often assumed to be behind countries' in-work benefit reforms. The findings painted a complex picture, which is not surprising given the variation identified in the orientation of policies, and the likely importance of social policy legacies in informing the type and scale of in-work policies.

In broad terms, underemployment appeared to be associated with whether countries had in-work benefits or not. Yet, variation in expenditure across countries did not clearly map on to differences in the socio-economic context. Moreover, countries with both low and high levels of collective bargaining, replacement rates and trade union density had in place in-work benefits. Change associated with liberalisation occurred as in-work benefit expenditure increased in some countries, but there were also cases of little variation on the liberalisation indicators or on in-work benefit expenditure over the time period studied. Thus, as per the

theoretical framework, liberalisation and socio-economic pressures are likely to influence in-work benefit variation differently depending on the context (Beramendi et al., 2015; Thelen, 2014). Yet, there may be some congruence if breaking down in-work benefits further to look at the different models identified here. Thus, the analysis of context flags a number of possible relationships to be explored in future research, which may be generalisable to other institutionally similar contexts.

9.1 Contribution

This section briefly summarises the main contributions of the thesis. First, the thesis builds on multiple perspectives and bodies of literature in order to conceptualise and define in-work benefits for cross-national comparison. It thus aimed to provide a solution to the inconsistencies in the literature which focused primarily on the technical features or goals of policies and thus ran into problems when defining the policy parameters of the research. In this vein, in-work benefits were conceptualised at a broad level as policies constituting a direct role for the state in the domain of income maintenance that is distinctive from other social policies, including wage setting strategies such as minimum wages (Picot, 2018) and benefits earmarked for specific services (e.g. childcare) or targeted on the basis of other risk-groups or categories (e.g. child benefits) (Oorschot and Roosma, 2015). The distinctiveness of in-work benefits is that they comprise a form of income maintenance that can be spent ‘freely’ that are similar to receiving wages. They thus combine dependency on the state for with dependency on paid work (the labour market) to maintain income levels during periods of paid work.

These qualities were apparent in the archetypal in-work benefit policies, predominately associated with liberal welfare states, in the form of refundable earned income tax credits and in-work cash transfers. At the same time, developments in other areas of policy, including within unemployment benefits and non-refundable earned income tax credits, were also considered forms of possible in-work benefits, which had some but not necessarily all of the same qualities as the archetypal provisions. This typology constituted the starting point for the comparison across countries that was intended to tap into the socially and political distinctiveness of these measures.

Examining these provisions empirically across countries provided more evidence with which to assess the validity of this definition and typology, e.g. many of the adjusted unemployment

benefits included in the initial mapping were, if using a threshold based on Germany's ALGII, too restrictive. However, the framework developed in this thesis to compare countries could be used by researchers to set their own threshold for the point at which unemployment benefits become de facto in-work benefits, and provide a means of understanding reforms in a given context relative to those used elsewhere.

In addition, the thesis developed a theoretically informed framework for comparing in-work provisions across countries and over time that drew extensively from existing comparative social policy literatures into order to make inferences about the varied logics and interests underpinning broad institutional configurations across welfare states that were also expected to play out in the design features, form and rules of in-work benefit policies (Esping-Andersen, 1990; Ferrera, 1996; Arts and Gelissen, 2002; Titmuss, 1958). This materialised in the form of the 'dependency relationships' analytical framework for comparing the orientation of in-work benefit policies towards different *degrees* and *forms* of dependence on the state, labour market and the family.

Analysing policy variation through this lens intended to provide a means of making inferences about the relationship between in-work benefits and historical and contemporary context, e.g. social policy legacies and socio-economic pressures. The application of this conceptual framework, albeit with limits, in the empirical investigation, led to a variegated analysis of in-work benefits, which had the advantages of considering the multiple and at times competing aims and interests that appear to be embedded within national policy specifications. The framework was also cautious in its emphasis on policy orientation and did not use concepts typically considered to be or associated with outcomes, e.g. de- or re-commodification, as the focus of the research was predominantly on in-work benefits in isolation.

Addressing the research questions and executing this framework empirically was no easy feat but the thesis nevertheless also comprises an empirical contribution. First, the mapping of select policy sub-types systematically across countries and over time, employing a clear methodology and using multiple data sources for triangulation, added to the existing patchwork evidence of in-work policies at different time points, which typically do not have a clear methodology outlining how and on what grounds policies were identified. Moreover, the use of EUROMOD to estimate expenditure data on in-work policies, although imperfect,

marks a significant step forward in comparative, standardised time-series data on in-work benefit expenditure which is, to the best of my knowledge, not presently available for in-work benefits the same way it is for many other areas of social policy. The contextualization of these findings using indicators of contemporary and historical context was also new and although explorative, it identified some possible avenues for future research and theory building.

In a similar vein, the thesis also comprises a contribution in terms of the methods employed for comparing in-work benefits. Notably, the use of EUROMOD to estimate in-work benefit expenditure comprises the first attempt to generate standardised, time-series data on in-work benefits for multiple countries. The methodology itself describes in detail the strengths and drawbacks of different sources of data on in-work benefit policies, itself the result of lengthy review of data. The comparison of the labour market orientation of policies could also be developed and repeated for future research, including those conducted at different time points to compare changes over time in the scope within unemployment benefits to combine receipt of these benefits with participation in paid work.

In sum, the combination of conceptual, empirical and methodological development in cross-national comparative in-work benefit research that this thesis contributes paves the way for future research in what is currently an under-researched area of policy. Aspects of this thesis can be built on in future research; the typology distinguishing between in-work benefits and related policies and the framework for comparing the salient features of policies across contexts could set the focus or parameters of future research. The methods and tools used to compare policies could be employed and developed in future research, e.g. the collection of additional data to better operationalise the dependency relationships framework. The findings could feed into theory building about why in-work benefits vary across countries and be used to establish the ‘dependent variable’, e.g. researchers may decide to focus on explaining one or a number of the five approaches outlined here. In this vein, the findings can also serve as a means for selecting and situating national case studies of in-work benefits.

The next section weighs up both the contributions and the limitations of the study and outlines suggestions for future work.

9.2 Limitations and Future Research

This thesis combined multi-faceted analysis of varied aspects of in-work benefit policy design, rules and government expenditure, and the relationship between variation in EUMS' in-work benefits and contemporary and historical context. The aim was to better understand the development of in-work benefits, an under-researched, elusive and controversial area of policy development, in a comparative perspective across diverse welfare states at a time of 'convergent pressures. While the limitations of the data and study design were raised in the methodology (Chapter 4) and in the empirical chapters (Chapters 5-7), this section discusses the main limitations in the empirical components of the research that applies directly to the aims, questions and framework addressed in the thesis, and the limits of the study more generally for understanding in-work benefits in a comparative perspective. The suggestions for future research alluded to previously are elaborated in this section.

Regarding the research aims and questions about the nature and extent of in-work benefit variation in EUMS', the first set of limitations and suggestions revolves around the conceptualisation of in-work benefits and the focus on three main sub-types (four if splitting up refundable and non-refundable tax credits) for the empirical investigation.

While earned income tax credits, in-work cash transfers and adjusted unemployment benefits were identified a priori as provisions that are likely to be key to understanding the development and use of in-work benefits across EUMS and time, the conceptualisation of in-work benefits as imposing a direct role for the state in the domain of income maintenance for working households could be operationalised more broadly than in the empirical investigation for this thesis, e.g. to include social assistance/minimum income schemes with features such as earnings disregards and reductions in social security contributions for employees could be included. If included, both the mapping of where and when provisions were used and the expenditure profiles across countries could look somewhat different, with implications for the analysis of policy variation and context. Additional policies could alter the conclusions made above about the orientation of countries' in-work benefits towards different forms of state, market and family dependence and how this relates to social policy legacies; and those about the relationship between expenditure and changes in socio-economic and institutional context.

The research as it stands has some element of (deliberate) institutional bias in its selection of provisions based primarily on those in Liberal regimes. Governments in contexts with higher social security contributions may indeed have in place more, and spend more on, provisions that reduce these. Although beyond the scope of this study, research seeking to further understand the (changing) of the role of the state in the domain of direct income maintenance for working households across EUMS could include these additional policies and further characterise differences in in-work benefit variation with respect to these approaches. However, data on expenditure may also be hard to come by.

In a similar vein, a more comprehensive account of the multiple policies that ‘support’ households or individuals participating in paid work could extend the net further to include other social policies, e.g. child and housing benefits. As with social provisions, there may also be ‘implicit’ tax credits that are received by working households because they are eligible *de facto* by paying a certain level of taxation, even if the in-work status or earned income of these recipients is not explicit in the policy label or eligibility rules. Similarly, occupational welfare comprises an important source of welfare for individuals in work that was not considered in this thesis that is also linked to inequalities between working and non-working households, and among those in work (Titmuss, 1958; Chung, 2018). Yet, a broader net in terms of policy instruments arguably loses the social and political distinctiveness important to this study in that provisions are closer to, and therefore could more clearly ‘offset’, the earnings typically paid by employers. Indeed, in some cases, social assistance benefits are sometimes categorised into benefits for different needs and include housing supports, so adding these into comparative analysis could muddy the waters further.

On the flipside, the conceptualisation and inclusion criteria could also be perceived as too broad and complex, especially for research that aims to develop and test explanatory theories about why and when governments use in-work benefits. For example, as discussed above, non-refundable earned income tax credits could be categorised as a ‘tax cut’, or some or all adjusted unemployment benefits could be excluded from future analyses because they are perceived to be too restrictive in terms of work and earnings and/or because they ‘implicitly’ target working households. This variation within the provisions included in the investigation is not considered a limitation of the research *per se* because it is precisely through the comparative insights garnered through this research we have clearer understanding of the

diversity of approaches across states and therefore are better able to situate one or more countries' reforms comparatively.

The insights from this research can, therefore, aid narrowing the focus for future research on in-work benefits in terms of the selection of provisions, countries and time period or the design and focus of the research. For example, future research aiming to further investigate the idea that certain political dynamics lead to the introduction and/or expansion of in-work benefits (e.g. support from centre-left and centre-right parties) under certain conditions (e.g. high unemployment in de-industrialised societies) (see Vlandas, 2013) could examine if such explanations hold for all or some of the five approaches outlined above. This would be surprising, given the likely variation in logics and interests in some EUMS' in-work benefits, seemingly related to historical policy legacies.

The limitations and suggestions concerning the inclusion or exclusion of certain provisions in this study also chimed with a related issue common to cross-national comparative policy research in terms of the transferability of administrative labels and social policy categories across countries (Kennett, 2001; Clasen et al., 2015b). Although 'standardised' comparative descriptions of policies formed the main data source, even within these, the (occasional) varied use of administrative labels and categories across countries meant decisions about which provisions to include were not always straightforward.

This hurdle was particularly pronounced for earned income tax credits; these were included if policy descriptions referenced earnings from work or the employment status of recipients in eligibility rules and in the name of the provision (e.g. 'working tax credit'). While categorised as tax credits in some countries, there was some suggestion in the description that policies were more like what are widely referred to as 'tax allowances', defining a no tax zone, instead of reducing tax liabilities once calculated. Whether this technical difference matters for our wider understanding in the public cost of provisions (in the form of lost tax revenues) to 'make work pay' is debatable. Indeed, a wider range of tax provisions could be interpreted in this light. However, it matters for the mapping of provisions and expenditure analysis comparatively as inconsistent categorisation and labelling could mean similar policies in other contexts are not included.

The way to 'overcome' this limitation in future research is likely to involve consultation of national policy actors to better understand the role and function of national policies.

Although experts produced the policy descriptions which formed the main data source for the report, future research could use the data collected for this thesis as a starting point and follow up with experts and political actors in national contexts⁷⁹.

Regarding the aims and questions about the nature and extent of in-work benefit variation in EUMS *overtime*, the snapshot mapping of provisions at two points, one in the midst of the financial crisis, and just under a decade later following a period of recovery in many EUMS does not capture reforms prior to or within this period (European Commission, 2016). And the analysis of policy design using the dependency framework was static, looking at 2016 only, due to the constraints of the study. Future research could continue to fill the gaps in terms of mapping provisions in EUMS before and after this time, if data permits and/or comparing policy rules and design from 2008 with contemporary schemes.

A fruitful avenue for better understanding the relationship between in-work benefits and context would to trace the policy reform process within one or a number of countries to examine why there is increasing or declining expenditure, e.g. cost containment/expansion. Analysis of in-work benefit recipient data could also aid this. Specific temporal questions from the research include: Will more Southern and CEE regime countries introduce in-work benefits over time following trends identified here? Has earned income tax credit expenditure reached its peak in the Nordic countries? And what will be the impact of Universal Credit be on later expenditure in the UK?

In a similar vein, this approach would allow for an understanding and identification of how, when and why external agendas and governance (e.g. from the EU) filter into national decisions about in-work benefit policymaking, using the agenda setting and policy transfer frames that could not be incorporated into this study (De la Porte, 2017; Peck and Theodore, 2001; Birkland, 2006). Given that in-work benefits are promoted as one of several options to ‘make work pay’, a key question is whether and member states would opt for in-work benefits and if these are used independently or alongside other approaches, such as minimum wages (Picot, 2018). Or indeed whether and how in-work benefits are conceived of alongside other agendas, such as social investment? On the latter, some advocates of social investment

⁷⁹ For example, researchers could compare disconnect between the descriptions in data sources such as OECD Country Descriptions and the legislation and/or other policy documentation on which they are based to understand more about the codified policy intent; or more discursive approaches could examine the discourse and language in policy documents, specifically whether and how the language used to talk about the recipients of such policies and if their earning or in-work status is salient. The researcher intends to validate the findings through consultation with national experts in future postdoctoral research.

employ the neo-liberal critique of in-work benefits (Hemerijck, 2013), whereas others argue that those combatting child poverty in particular are in keeping with the ideals and tools of social investment. The frameworks applied in this study could also be extended to countries that are not EUMS to build a broader picture of in-work benefit trends and variation over time.

Second, some aspects of benefit design and rules that were key to operationalising the dependency relationships framework could not be fully integrated into the analysis mainly because of limits to the data in terms of inconsistency in the details within policy descriptions across countries. This applied mainly to benefit levels, behavioural requirements and sanctions in adjusted unemployment benefits, the levels of earnings disregards in some adjusted unemployment benefits and detail on restrictions on the earnings/work of the spouse/other members of the household. In particular, there are ways that analysis of the degrees and forms of dependence among members of families could be strengthened beyond what was feasible in the scope of the thesis. For example, research could examine the definition of families within tax-benefit frameworks in more depth and the interaction of instruments, especially tax instruments, which could either limit or facilitate certain models of care and work.

Alternative approaches for comparing the (varied) orientation of EUMS' in-work benefits towards degrees of dependence on the state include model family analysis, which can be used to compare more accurately households of interest (in terms of composition, earnings, etc.) across countries, using a tax-benefit simulator, such as EUROMOD (Marchal and Marx, 2018; Jonathan Bradshaw and Finch, 2002). The relevant components of the income from in-work benefits could be identified using the mapping in this study in order to pinpoint the policies of interest in select countries and then the proportion of income that has come from the benefits of interest. Furthermore, with more standardised data across sub-types and countries, approaches for identifying linkages between groups of countries in terms of design features could be employed (e.g. fuzzy sets) (Kvist, 2007b; Kowalewska, 2017).

The study also made several inroads on advancing comparative knowledge of the relationship between in-work benefits and contemporary and historical context. Yet, data and practical limitations (one researcher working within time-constraints) meant the analysis only scratched the surface. Given the lack of such analysis in in-work benefits research, the

contribution is still a valuable one that shines light on some of the key arguments about in-work benefits and socio-economic pressures, liberalisation and the role of historical institutions. However, there are multiple directions for future research that advance ‘explanation’.

On the one hand, further quantitative analysis could be undertaken to examine the relationship between in-work benefits and country contexts. A major factor holding back the analysis here was that the limited number of data points (countries and years) and the theorised importance of national contexts were incompatible, in that country fixed-effects model would be based on too small a dataset (Spicker, 2018). Moreover, statistical techniques when there are a higher number of zeros, which is necessary when including countries over a longer time period that introduced in-work benefits at some point during that period, also involve splitting the dataset and these problems are exacerbated. Fundamentally, the expenditure data was also only for two provision types, and there were some issues with over- and under-estimation with EUROMOD (detailed in individual Country Reports) (EUROMOD, 2019). As argued above, one approach could be to focus on one of the five model approaches and develop and test models but again this limits the data available in terms of countries and possibly years. Overtime, comparative data on in-work benefits may become better if the organisations producing comparative expenditure datasets harmonise policy categorisation. As argued above, more contextual variables that capture additional changes in corresponding institutions that may be masked by those such as ‘collective bargaining coverage’ could feed into research seeking to further examine the (two-way) relationship between in-work benefits and liberalisation.

Similarly, analysis of the politics is also key for advancing our understanding of the relationship between context and in-work benefit variation through case study or qualitative research as has already been done for some contexts (Vlandas, 2013; Clasen, 2019). Probing which actors support in-work benefits and their rationale for doing so will shine further light on the interests and logics underpinning policies, and provide further means to examine the role of historical institutions and contemporary pressures.

As the first cross-national time-series data on in-work benefit expenditure were collected for this thesis, it contributes new insights into trends in spending before the 2008 financial crisis and the process of recession and recovery that followed. Building on this broad picture, the

thesis began to explore the relationship between in-work benefit expenditure, socio-economic pressures and processes associated with liberalisation within and between EUMS. Both sets of variables regularly feed into explanations for why in-work benefits have become more widespread. This analysis only scratched the surface and was limited by the data, which is still in its infancy. Yet, one of the main implications of the analysis is that it challenges the functionalist assumptions in the literature about the drivers of in-work benefits, and provides tentative evidence of the varied forms of liberalisation across capitalist countries, which are associated different levels of (in)equality and solidarity (Thelen, 2012; 2014). Indeed, the effects of in-work benefits on Corporatist or coordinated forms of capitalism and support for other forms of welfare are important questions for future research. The latter question stems from the argument that certain tax credits are hard to differentiate from broad cuts in income taxation and could therefore erode the fiscal base for welfare expenditure.

In sum, the research as a whole led to several specific questions for future research on in-work benefits, which are a prominent yet under-researched part of tax-benefit systems in deindustrialised societies in recent decades. The use of political economy and sociological lenses in this thesis provided a means for conceptualising, defining and comparing in-work policies across diverse contexts, which tapped related to fundamental questions about the relationship between the market, families and the states in capitalist democratic countries. There are many more avenues for future in-work benefits research, including further research into the characteristics and form of in-work benefits in different contexts, and research which attempts to explain policy variation and analyse in more detail the processes of reform and the role of actors and institutions. Research could also aim to better understand the implications of in-work benefits beyond policy effectiveness with relation to stated goals. Indeed, in-work benefits tap into debates about the responsibilities of employers to their employees, as well as society more broadly, which pays for in-work provisions through taxation. In-work benefits could also either undermine or prop up other welfare state and labour market institutions and alter the future of industrial relations. Finally, there is a question about the reproduction of gendered inequalities and other forms of inequality between citizens, both in- and out-of-work, which in part rests on their status and rights as codified in tax-benefit systems.

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Appendices

Appendix A: Data countries' tax-benefit systems

1. OECD Country Policy Descriptions for all European Union Member States, descriptions for 2008 and 2016 (Ireland 2017). Available online from:
<https://www.oecd.org/els/soc/benefits-and-wages-country-specific-information.htm>.
2. EUROMOD Country Reports, all countries, multiple authors. Available online from:
<https://www.euromod.ac.uk/using-euromod/country-reports/f3-g4>
 - a. 2015-2018 Tax-benefit systems
 - b. 2014 – 2017 Tax-benefit systems
 - c. 2013 – 2016 Tax-benefit systems
 - d. 2007 – 2010 Tax-benefit systems
 - e. 2005 – 2008 Tax-benefit systems
3. OECD Employment Conditional Earning Subsidies Tables. Available online from:
<https://www.oecd.org/social/soc/Employment-conditional%20benefits.xlsx>
4. Mutual Information System on Social Protection (MISSOC) Comparative Tables. Unemployment benefits. Available online from: <https://www.missoc.org/missoc-database/comparative-tables/>

Appendix B: Input data EUROMOD, access and acknowledgements

Table B1: EUROMOD input data

<i>EU-SILC (1) datasets</i>	<i>National datasets</i>	<i>Other non-SILC (5)</i>
<ul style="list-style-type: none"> • Belgium 2016 2015 2012 2010 2008 2007 2006 • Denmark 2016 2015 2012 2008 • Estonia 2016 2015 2012 2010 2008 2007 2006 • Ireland 2016 2015 2012 2010 2008 2007 2006 • Spain 2016 2015 2014 • France 2016 2015 2010 2007 • Luxembourg 2016 2015 2012 2010 2008 • Malta 2016 2015 2012 2010 2009 • Netherlands 2016 2015 2012 2010 2008 2007 • Slovakia 2015 2014 2012 2010 2008 2007 • Sweden 2016 2015 2012 2010 2008 2007 	<ul style="list-style-type: none"> • Italy (2) 2016 2015 2014 2012 2010 2008 2007 2006 • Austria 2016 2015 2014 2012 2009 2008 • Slovakia 2016 • France 2012 (3) • Spain 2012, 2010, 2008, 2007, 2006 (4) 	<ul style="list-style-type: none"> • UK 2015 (_a1) • UK 2014 (_a3) • UK 2013 (_a3) • UK 2012 (_a3) • UK 2009 (_a2) • UK 2008 (_a4)
<p>Notes:</p> <p>(1) Access granted for European Union Statistics on Income and Living Conditions (EU-SILC) for research proposal no RPP 391/2018-EU-SILC for the period 01/03/2019-01/10/2020. The list of EU-SILC data in table includes only those countries that were used in the final expenditure analysis.</p> <p>(2) EU-SILC made available by I-STAT</p> <p>(3) Provided by Réseau Quetelet (Statistiques sur les ressources et les conditions de vie (INSEE))</p> <p>(4) Data made available by INE</p> <p>(5) UK Family Resources Survey accessed through the UK Data Service.</p> <p>(6) As stated in the acknowledgements in the front matter of this thesis, the conclusions and the interpretations drawn from the data are the responsibility of the author and any mistakes should be attributed to the author.</p>		

Appendix C: Socio-economic indicators full information

Table C1: Description of socioeconomic indicators

Indicators	Description from data source	Source
In-work at risk of poverty	Individuals (18-64) who are classified as employed according to their most frequent activity status and are at risk of poverty.	Eurostat. 2019a. In-work-at-risk of poverty.
Unemployment	The unemployment rate is the number of people unemployed as a percentage of the labour force. The labour force is the total number of people employed and unemployed.	Eurostat. 2019b. Unemployment by sex and age - annual average.
Underemployment	Underemployed part-time workers are persons working part-time who wish to work additional hours and are available to do so. Part-time work is recorded as self-reported by individuals.	Eurostat. 2019c. Underemployment and potential additional labour force statistics.

Appendix D: Liberalisation indicators full information

Table D1: Description of ‘liberalisation’ indicators

Indicators	Description from data source	Source
Trade union density	‘A trade union is defined as a workers' organization constituted for the purpose of furthering and defending the interests of workers. This trade union density rate conveys the number of union members who are employees as a percentage of the total number of employees. For the purpose of this indicator in particular, trade union membership excludes union members who are not in paid employment (self-employed, unemployed, retired, etc.), unless otherwise stated in the notes.’	Visser, et al. (2015) ILO Stat. Industrial Relations Data (IRData).
Collective bargaining coverage	‘The collective bargaining coverage rate conveys the number of employees whose pay and/or conditions of employment are determined by one or more collective agreement(s) as a percentage of the total number of employees. Collective bargaining coverage includes, to the extent possible, workers covered by collective agreements in virtue of their extension. Collective bargaining coverage rates are adjusted for the possibility that some workers do not have the right to bargain collectively over wages (e.g. workers in the public services who have their wages determined by state regulation or other methods involving consultation), unless otherwise stated in the notes.’	Visser et al. (2015) ILO Stat. Industrial Relations Data (IRData).
Replacement rates	‘Net Replacement Rates in unemployment measure the proportion of previous in-work income that is maintained after 1, 2, ..., T months of unemployment.’ The rate was set by the researcher at that for a single person without children, unemployment spell of 6 months, 67% of average wage previous earnings in work. Does not include housing benefits.	OECD. Stat (2019a). Net Replacement Rates in unemployment

Appendix E: Numerical weights: labour market composite indicators

Table E1: Weights for in-work cash transfers

Employment status	Work hours min	Phase in (y/n)	Phase out	Earnings min	Average wage	Spouse earnings	Spouse hours	Sum of weights
0.167 (1/6)	0.167 (1/6)	0.042 (1/24)	0.167 (1/6)	0.042 (1/24)	0.083 (1/12)	0.167 (1/6)	0.167 (1/6)	1

Table E2: Weights for earned income tax credits

Employment status	Work hours	Earnings min	Earnings Max	Phase out	Spouse	Sum of weights
0.222 (2/9)	0.056 (1/18)	0.056 (1/18)	0.222 (2/9)	0.222 (2/9)	0.222 (2/9)	1

Table E3: Weights for adjusted unemployment benefits

Work type	Work hours	Disregard	Withdrawal rate	Spouse earnings	Sum of weights
0.2 (1/5)	0.2 (1/5)	0.2 (1/5)	0.2 (1/5)	0.2 (1/5)	1

Appendix F: Policies categorised as in-work cash transfers in mapping (2008 & 2016)

Table F1. Programme/ policy names in English and local language (In-work cash transfers)

Country	Mapping years	Programme name - English translation	Programme name - local language
France	2016	1. Activity Allowance	Prime d'activitie"
Ireland	2008 & 2016	1. Family Income Supplement (FIS)	.
Italy	2008 & 2016	1. Family Allowance	Assegno per il Nucleo Familiare
Malta	2016	2. In-Work Benefit	.
	2008 & 2016	1. Working Tax Credits (WTC)	.
UK	2016	2. Universal Credit (UC)	.

Notes: Programme names in local language and English listed as they appear in main sources (Sources 1 & 2 Appendix B). English not necessarily a direct translation and the programme name in the local language is not given in most sources '.

Appendix G: Policies categorised as earned income tax credits in mapping (2008 & 2016)

Table G1. Programme/ policy names in English and local language (Earned Income Tax Credit)

Country	Mapping years	Programme name - English	Programme name - local language
Austria	2008 & 2016	1. Sole Parent's Tax Credit/ Lone Parent Tax Credit	Alleinerzieherabsetzbetrag
		2. Sole Earner's Tax Credit/ Single Earners' Tax Credit	Alleinverdienerabsetzbetrag
		3. Employee's Tax Credit/ Wage Earners' Tax Credit	Arbeitnehmerabsetzbetrag
Belgium	2008		
	2008 & 2016	1. Refundable Tax Credit on Low Activity Incomes	.
Denmark	2016	2. The Fiscal Workbonus	.
	2008 & 2016	1. Earned Income Tax Credit (EITC)	Beskæftigelsesfradrag
Estonia	2016	1. Non Refundable Credit for Low Income Workers/ Low Activity Income Credit	Madalapalgaliste tagasimakse
Finland	2008 & 2016	1. Earned income tax credit	.
France	2008	1. Work Premium	Prime pour l'emploi (PPE)
Hungary	2008	1. Employment tax credit	.
Ireland	2008 & 2017	1. Employee Credit/ PAYE Credit	.
	2016	2. Earned Income Tax Credit	.
Italy	2008 & 2016	1. PAYE Tax Credit	.
	2016	2. Fiscal Bonus/ €80 Bonus	80 Euro
		3. Tax Credit for Self-Employed	
Luxembourg	2016	1. Basic Employee Tax Credit/ Tax credit for employees	.
		2. Self-Employed Tax Credit/ Tax credit for self-employed	.
Netherlands	2008 & 2016	1. Work Credit	.
	2008	2. Combination credit	.
	2008	3. Additional combination Credit	.
	2016	4. Income Dependent Combination Credit	.
	2008	5. Additional Single Parent Credit	.
Slovakia	2008 & 2016	1. Child Tax Credit/ Tax credit on dependent child	.
	2016	2. Employee Tax Credit (ETC)	.
Spain	2008 & 2016	1. Maternity Tax Credit/ Working Mother Tax Credit (WMTC)	Deducción por maternidad
Sweden	2008 & 2016	1. Earned Income Tax credit (EITC)	

Notes: Programme names in local language and English listed as they appear in main sources (Sources 1 & 2 Appendix B). English not necessarily a direct translation and the programme name in the local language is not given in most sources. Some policies are referred to using more than one programme name in English across the two main sources and these are listed, separated by a '/'.

Appendix H Descriptive Statistics Expenditure Variables 2006 to 2017

Table H1: Descriptive Statistics – expenditure variables, 2006 to 2017

EUM S		in-work cash transfer / GDP	earned income tax credit / GDP	TOTAL/GD P	in-work cash transfers/ gov expenditur e	earned income tax credits / gov expenditur e	TOTAL/ gov expenditur e
AT	N	12	11	11	12	11	11
	Min	0	0.03	0.03	0	0.06	0.0638
	Max	0	0.17	0.17	0	0.32	0.31835
	Mean	0	0.1167	0.1167	0	0.2257	0.225717
	SD	0	0.0552	0.0552	0	0.10394	0.103943
BE	N	12	12	12	12	12	12
	Min	0	0.04	0.04	0	0.08	0.07864
	Max	0	0.12	0.12	0	0.23	0.23277
	Mean	0	0.0793	0.0793	0	0.1494	0.14937
	SD	0	0.02479	0.02479	0	0.04596	0.045962
DK	N	11	11	11	11	11	11
	Min	0	0.94	0.94	0	1.89	1.89025
	Max	0	3.09	3.09	0	6.04	6.03994
	Mean	0	2.1263	2.1263	0	3.926	3.925979
	SD	0	0.75964	0.75964	0	1.44849	1.448491
EE	N	12	12	12	12	12	12
	Min	0	0	0	0	0	0
	Max	0	0.16	0.16	0	0.41	0.41485
	Mean	0	0.0136	0.0136	0	0.0346	0.034571
	SD	0	0.04726	0.04726	0	0.11976	0.119756
ES	N	12	12	12	12	12	12
	Min	0	0.09	0.09	0	0.19	0.19333
	Max	0	0.18	0.18	0	0.42	0.42253
	Mean	0	0.1158	0.1158	0	0.2691	0.269103
	SD	0	0.03788	0.03788	0	0.09358	0.093576
FR	N	12	12	12	12	12	12
	Min	0	0	0.16	0	0	0.28975
	Max	0.22	0.19	0.22	0.39	0.36	0.39103
	Mean	0.069	0.1204	0.1894	0.1216	0.2175	0.339127
	SD	0.07433	0.06176	0.0185	0.13171	0.11526	0.032211
IE	N	12	12	12	12	12	12
	Min	0.05	0.93	0.98	0.14	2.26	2.40539
	Max	0.1	1.57	1.62	0.24	4	4.14599
	Mean	0.0734	1.2843	1.3577	0.1898	3.3504	3.540269
	SD	0.0181	0.21254	0.22172	0.03451	0.45825	0.463549

Continued next page

Table H1 (continued)

EUMS		in-work cash transfer/ GDP	earned income tax credit / GDP	TOTAL/GDP	in-work cash transfers/ gov expenditure	earned income tax credits / gov expenditure	TOTAL/ gov expenditure
IT	N	12	12	12	12	12	12
	Min	0.3	0	0.3	0.64	0	0.6359
	Max	0.41	2.17	2.57	0.82	4.33	5.12147
	Mean	0.3859	1.6269	2.0128	0.78	3.2804	4.060427
	SD	0.02834	0.57336	0.59749	0.04778	1.15642	1.198021
LU	N	12	12	12	12	12	12
	Min	0	0	0	0	0	0
	Max	0	0.19	0.19	0	0.44	0.43871
	Mean	0	0.1237	0.1237	0	0.2865	0.286454
	SD	0	0.07642	0.07642	0	0.17574	0.175737
MT	N	12	12	12	12	12	12
	Min	0	0	0	0	0	0
	Max	0.04	0	0.04	0.12	0	0.12
	Mean	0.0091	0	0.0091	0.0245	0	0.024495
	SD	0.01657	0	0.01657	0.04512	0	0.045116
NL	N	12	12	12	12	12	12
	Min	0	1.66	1.66	0	3.81	3.80786
	Max	0	2.68	2.68	0	6.25	6.24711
	Mean	0	1.9764	1.9764	0	4.4066	4.406561
	SD	0	0.34835	0.34835	0	0.87776	0.877759
SE	N	12	12	12	12	12	12
	Min	0	0	0	0	0	0
	Max	0	2.79	2.79	0	5.46	5.46475
	Mean	0	2.0611	2.0611	0	4.0733	4.073283
	SD	0	0.77401	0.77401	0	1.52733	1.527335
SK	N	12	11	11	12	11	11
	Min	0	0.28	0.28	0	0.66	0.65593
	Max	0	0.39	0.39	0	0.88	0.88061
	Mean	0	0.3176	0.3176	0	0.7759	0.775937
	SD	0	0.03353	0.03353	0	0.08143	0.081427
UK	N	12	12	12	12	12	12
	Min	0.2	0	0.2	0.49	0	0.4874
	Max	0.4	0	0.4	0.86	0	0.85805
	Mean	0.3314	0	0.3314	0.7547	0	0.754713
	SD	0.06145	0	0.06145	0.10873	0	0.108726

Notes: Authors own calculation using EUROMOD and input data. Data sources and calculation detailed in Chapter 4 (Section 4.3 and 4.4). Input data detailed in Appendix A.

Appendix I: Ireland Expenditure Data

Table I1: Ireland expenditure and recipient data

Policy:	Family Income Supplement		Employee PAYE		Earned income credit		In-work cash transfers (total)	Earned income tax credits (total)	Total
	Expenditure €	Recipients	Expenditure €	Recipients	Expenditure €	Recipients	Expenditure €	Expenditure €	Expenditure €
2006	148,000,000	39,963	2,370,000,000	1,792,438	0	0	148,000,000	2,370,000,000	2,518,000,000
2007	106,000,000	27,664	2,830,000,000	1,784,011	0	0	106,000,000	2,830,000,000	2,936,000,000
2008	108,000,000	27,629	2,940,000,000	1,784,011	0	0	108,000,000	2,940,000,000	3,048,000,000
2009	134,000,000	39,617	2,480,000,000	1,463,267	0	0	134,000,000	2,480,000,000	2,614,000,000
2010	154,000,000	40,169	2,470,000,000	1,463,267	0	0	154,000,000	2,470,000,000	2,624,000,000
2011	161,000,000	35,689	2,350,000,000	1,540,341	0	0	161,000,000	2,350,000,000	2,511,000,000
2012	162,000,000	35,689	2,350,000,000	1,540,341	0	0	162,000,000	2,350,000,000	2,512,000,000
2013	173,000,000	39,476	2,350,000,000	1,540,341	0	0	173,000,000	2,350,000,000	2,523,000,000
2014	148,000,000	34,421	2,520,000,000	1,625,271	0	0	148,000,000	2,520,000,000	2,668,000,000
2015	146,000,000	34,421	2,530,000,000	1,625,271	0	0	146,000,000	2,530,000,000	2,676,000,000
2016	151,000,000	34,421	2,530,000,000	1,625,271	144,000,000	267,002	151,000,000	2,674,000,000	2,825,000,000
2017	146,000,000	34,039	2,530,000,000	1,625,271	242,000,000	267,002	146,000,000	2,772,000,000	2,918,000,000

Notes: Authors own calculation using EUROMOD and input data. Data sources and calculation detailed in Chapter 4 (Section 4.3 and 4.4). Input data detailed in Appendix A.

Appendix J: Socio-economic context countries with and without in-work benefits

Table J1: Unemployment rate in EUMS, 2007, 2008, 2015 and 2016 and identification of in-work benefit policies in mapping exercise

GEO/TIME	2007	2008	2015	2016	IWB
Greece	8.4	7.8	24.9	23.6	Y
Spain	8.2	11.3	22.1	19.6	Y
Croatia	9.9	8.6	16.1	13.4	Y
Cyprus	3.9	3.7	15	13	X
Italy	6.1	6.7	11.9	11.7	Y
Portugal	9.1	8.8	12.6	11.2	Y
France	8	7.4	10.4	10.1	Y
Slovakia	11.2	9.6	11.5	9.7	Y
Latvia	6.1	7.7	9.9	9.6	X
Finland	6.9	6.4	9.4	8.8	Y
Ireland	5	6.8	10	8.4	Y
Slovenia	4.9	4.4	9	8	Y
Lithuania	4.3	5.8	9.1	7.9	X
Belgium	7.5	7	8.5	7.8	Y
Bulgaria	6.9	5.6	9.2	7.6	X
Sweden	6.1	6.2	7.4	6.9	Y
Estonia	4.6	5.5	6.2	6.8	Y
Luxembourg	4.2	4.9	6.5	6.3	Y
Poland	9.6	7.1	7.5	6.2	X
Denmark	3.8	3.7	6.3	6	Y
Netherlands	4.2	3.7	6.9	6	Y
Austria	4.9	4.1	5.7	6	Y
Romania	6.4	5.6	6.8	5.9	X
Hungary	7.4	7.8	6.8	5.1	Y
United Kingdom	5.3	5.6	5.3	4.8	Y
Malta	6.5	6	5.4	4.7	Y
Germany	8.5	7.4	4.6	4.1	Y
Czechia	5.3	4.4	5.1	4	X

Notes: Unemployment data Eurostat (2019b). Countries ordered from highest to lowest unemployment in 2016. IWB column: ‘Y’ in-work policies identified in the mapping of either 2008 and 2016, ‘X’ no relevant policies identified in 2008 or 2016. See Table 5.2 for full details of mapping. ‘Y’ part of higher spending group identified in section 5.2. Countries with no in-work benefits in the 2008 or 2016 mapping highlighted orange.

Table J2: Underemployment rates in EUMS, 2008, 2015 and 2016 and presence of in-work benefit policies

GEO/TIME	2008	2015	2016	IWB
Cyprus	2.0	9.2	9.0	X
Spain	4.0	8.5	7.7	Y
Greece	2.1	6.8	7.3	Y
France	4.8	6.3	6.1	Y
Netherlands	1.1	6.8	6.1	Y
Ireland	:	5.7	5.1	Y
UK	4.3	5.6	5.1	Y
Portugal	1.9	5.3	5.0	Y
Denmark	2.3	2.3	4.5	Y
Austria	3.4	4.4	4.5	Y
Finland	2.9	4.1	4.2	Y
Sweden	4.7	4.4	3.7	Y
Belgium	0.8	3.7	3.5	Y
Germany	6.4	3.9	3.5	Y
Latvia	2.2	3.0	3.5	X
Italy	1.7	3.3	3.2	Y
Slovenia	1.4	3.4	3.1	Y
Slovakia	0.8	2.4	2.6	Y
Romania	2.3	3.1	2.5	X
Luxembourg	0.7	2.5	2.3	Y
Croatia	1.9	2.7	2.2	Y
Malta	1.9	2.3	1.9	Y
Poland	1.6	2.0	1.7	X
Lithuania	1.2	1.7	1.4	X
Estonia	0.7	1.3	1.3	Y
Hungary	0.2	1.6	1.1	Y
Bulgaria	0.6	0.9	0.8	X
Czechia	0.3	0.6	0.5	X

Notes: Underemployment data Eurostat (2019c). France is for metropolitan area. Countries ordered from highest to lowest underemployment in 2016. IWB column: 'Y' in-work policies identified in the mapping of either 2008 and 2016, 'X' no relevant policies identified in 2008 or 2016. 'Y' part of higher spending group identified in section 5.2. See Table 5.2 for full details of mapping. Countries with no in-work benefits in the 2008 or 2016 mapping highlighted orange.

Appendix K: In-work benefit expenditure and socioeconomic context, change over time

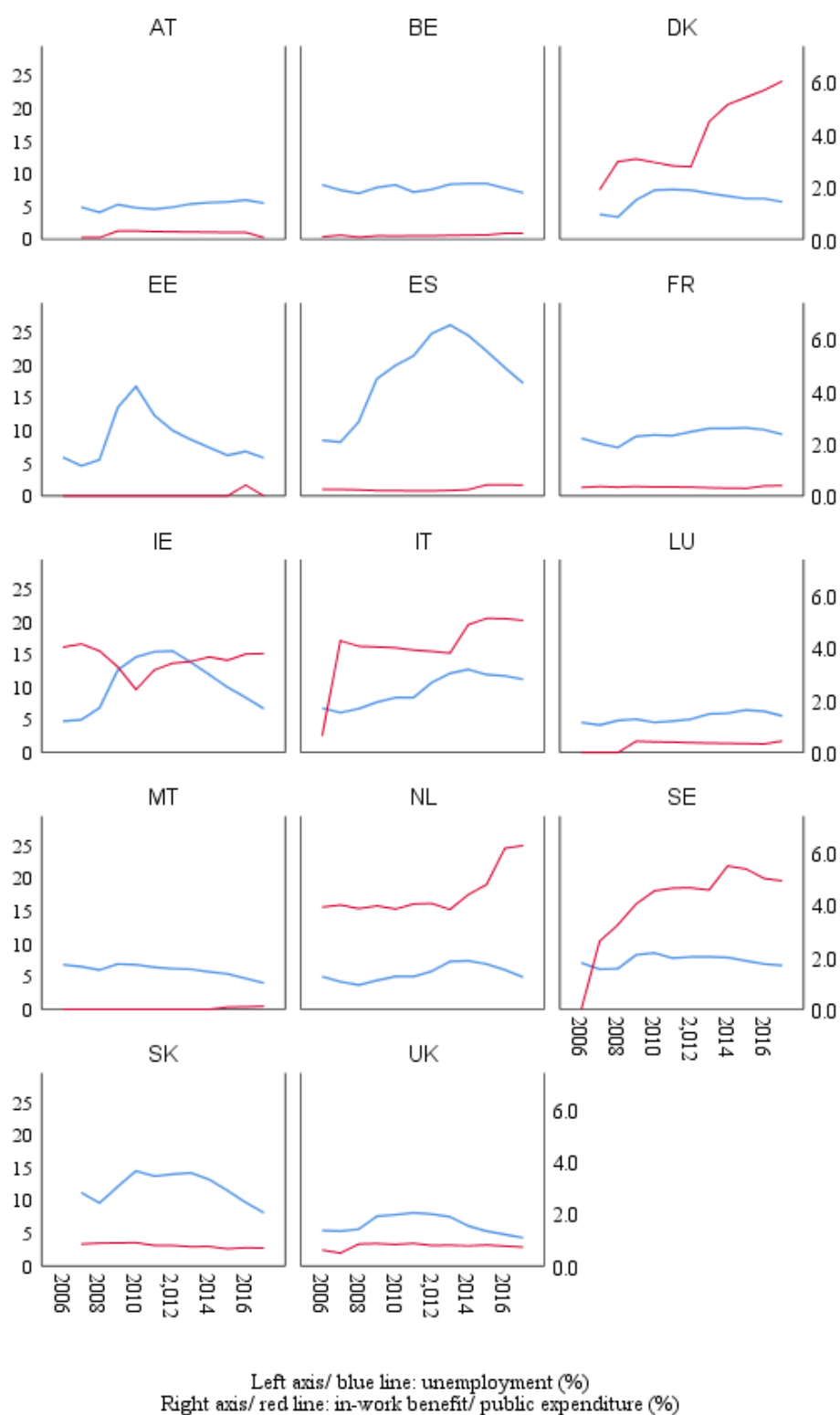


Figure K1: Estimates of in-work benefit expenditure and unemployment rates in EUMS, 2006 to 2017

Notes: Unemployment data (see Appendix C). In-work benefit expenditure data author's own estimates using EUROMOD. See Chapter 4 for full details. Earned income tax credits and in-work cash transfers only.

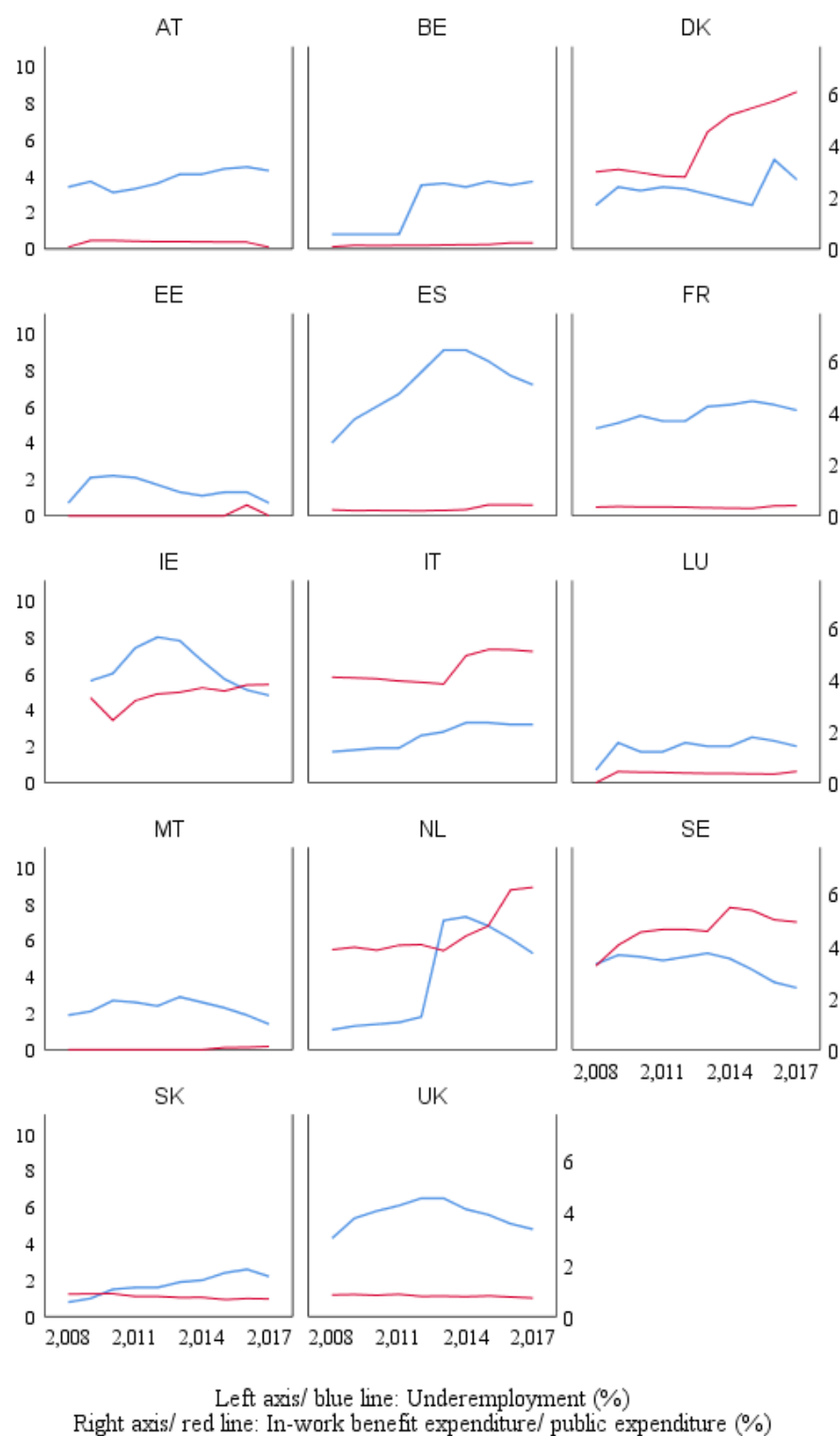


Figure K2: Estimates of in-work benefit expenditure and underemployment rates in EUMS, 2006 to 2017 Notes: Underemployment data (see Appendix C). In-work benefit expenditure data author's own estimates using EUROMOD. See Chapter 4 for full details. Earned income tax credits and in-work cash transfers only.

Appendix L: In-work benefit expenditure and indicators of liberalisation, change over time

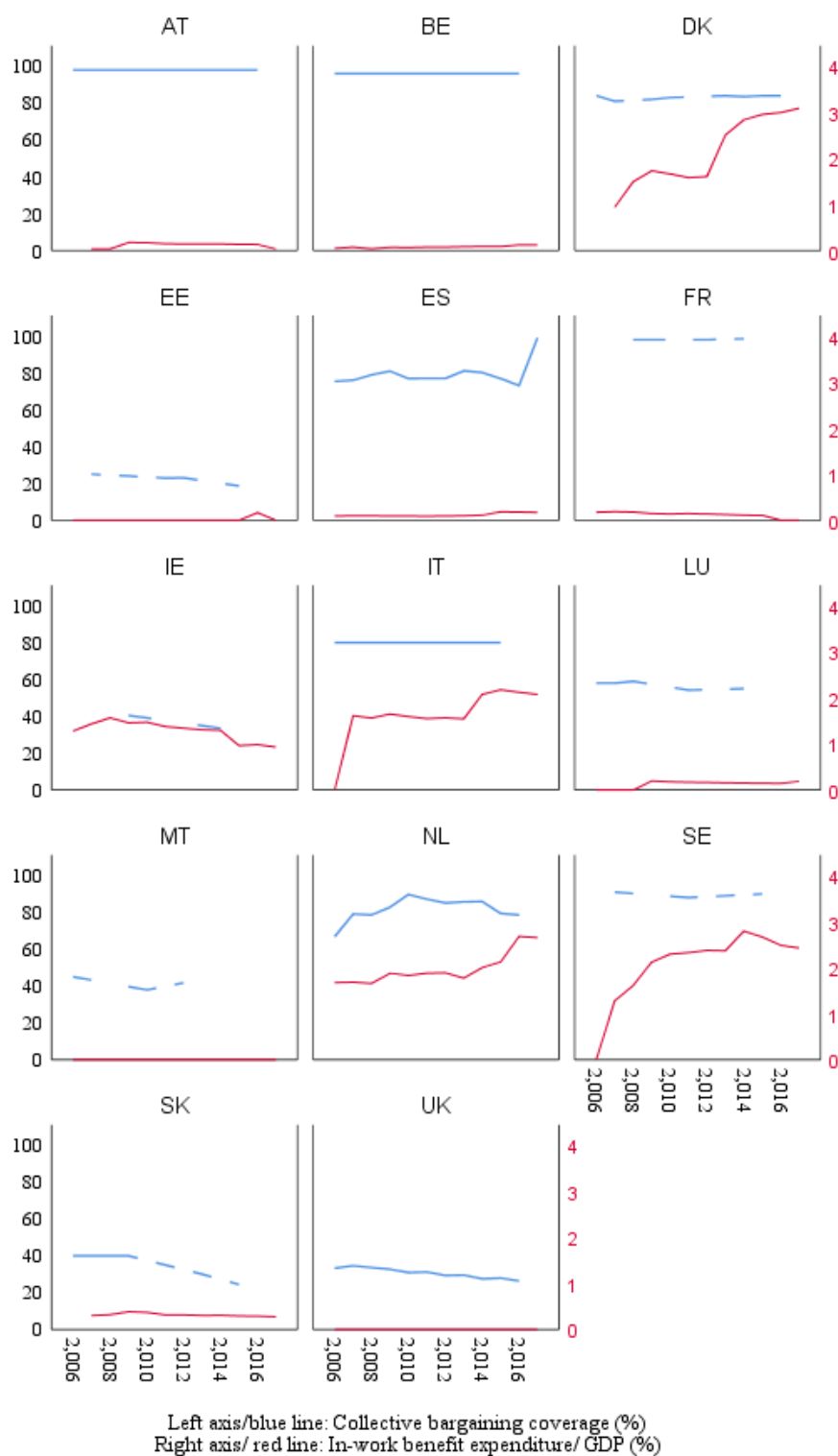
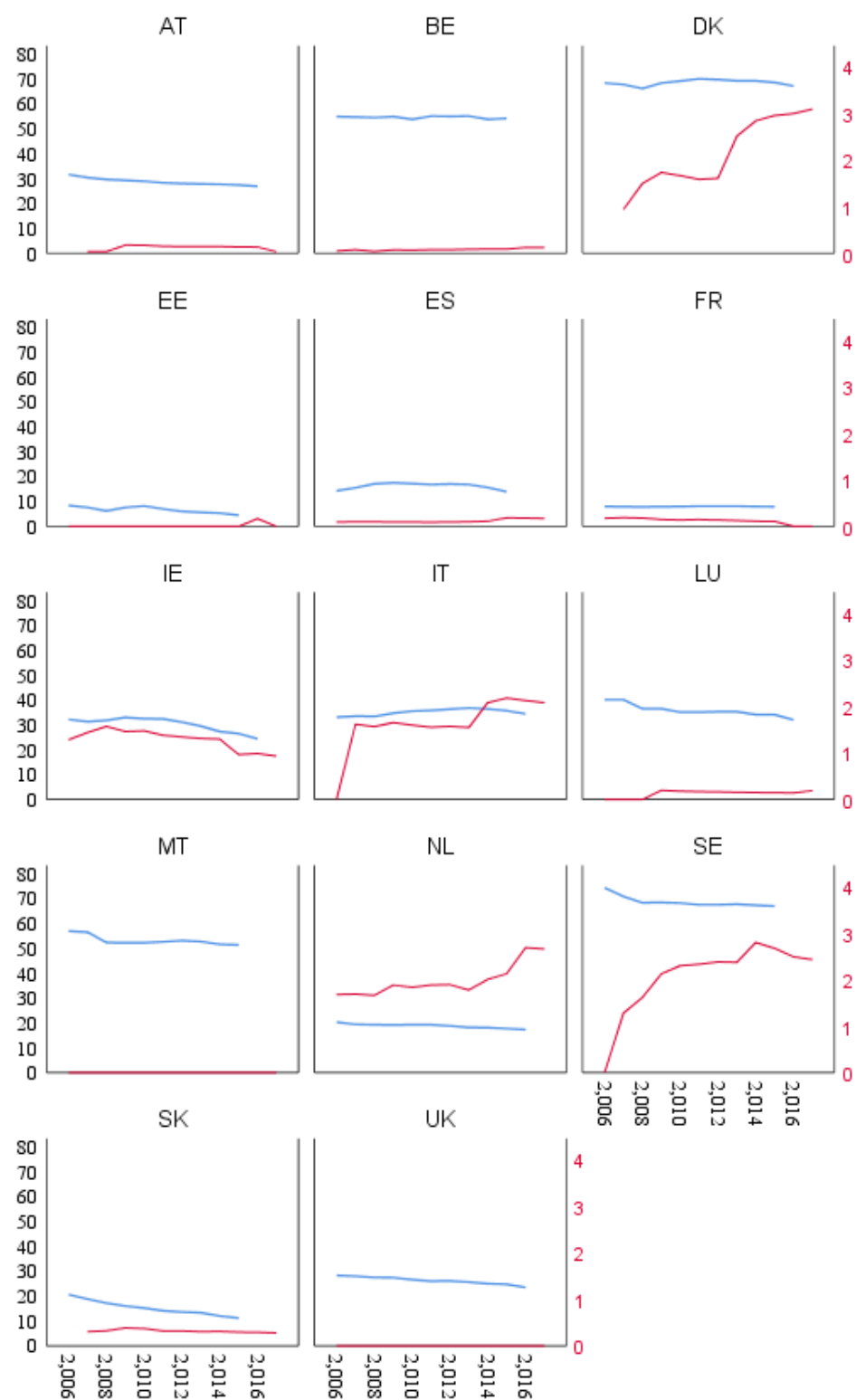


Figure L.1: Estimates of in-work benefit expenditure and collective bargaining coverage in EUMS, 2006 to 2017 **Notes:** Collective bargaining data (see Appendix D). In-work benefit expenditure data author's own estimates using EUROMOD. See Chapter 4 for full details. Earned income tax credits and in-work cash transfers only.



Left axis/blue line: Trade union density(%)
Right axis/ red line: In-work benefit expenditure/ GDP (%)

Figure L2: Estimates of in-work benefit expenditure and trade union density in EUMS, 2006 to 2017
Notes: Trade Union Density Data (see Appendix D). In-work benefit expenditure data author's own estimates using EUROMOD. See Chapter 4 for full details. Earned income tax credits and in-work cash transfers only.

Appendix M: Comparison of correlational analyses using different in-work benefit measures

Table M1: Comparison of correlational analysis using different in-work benefit expenditure measures

Country	IWB expenditure measure	Collective Bargaining Coverage			Trade Union Density			Replacement Rates		
		PC	Sig.(2-tailed)	N	PC	Sig. (2-tailed)	N	PC	Sig. (2-tailed)	N
AT	GDP	.a	.	10	-0.569	0.086	10	-0.22	0.515	11
	public expenditure	.a	.	10	-0.608	0.062	10	-0.254	0.451	11
BE	GDP	.a	.	11	-0.126	0.729	10	.612*	0.035	12
	public expenditure	.a	.	11	-0.135	0.711	10	0.501	0.097	12
DK	GDP	.923**	0.003	7	0.046	0.9	10	.609*	0.047	11
	public expenditure	.905**	0.005	7	-0.054	0.882	10	.616*	0.044	11
EE	GDP	.a	0	5	.a	0	10	-0.135	0.676	12
	public expenditure	.a	0	5	.a	0	10	-0.135	0.676	12
ES	GDP	0.284	0.371	12	-.672*	0.033	10	-0.475	0.119	12
	public expenditure	0.301	0.343	12	-.787**	0.007	10	-0.558	0.06	12
FR	GDP	-0.674	0.326	4	0.088	0.809	10	-0.368	0.239	12
	public expenditure	-0.86	0.14	4	-0.149	0.682	10	-0.2	0.534	12
IE	GDP				.867**	0.001	11	.608*	0.036	12
	public expenditure				-0.265	0.43	11	-0.542	0.069	12
IT	GDP	.a	.	10	0.486	0.129	11	-0.212	0.509	12
	public expenditure	.a	.	10	0.418	0.201	11	-0.278	0.382	12
LU	GDP	-.979**	0.004	5	-.712*	0.014	11	-0.043	0.894	12
	public expenditure	-.979**	0.004	5	-.736**	0.01	11	-0.006	0.986	12
MT	GDP	.a	0	3	-0.317	0.372	10	-0.482	0.112	12
	public expenditure	.a	0	3	-0.317	0.372	10	-0.491	0.105	12
NL	GDP	0.049	0.886	11	-.798**	0.003	11	-.972**	0	12
	public expenditure	-0.159	0.641	11	-.745**	0.009	11	-.978**	0	12
SE	GDP	-0.605	0.395	4	-.968**	0	10	-.961**	0	12
	public expenditure	-0.577	0.423	4	-.969**	0	10	-.961**	0	12
SK	GDP	0.553	0.256	6	0.314	0.411	9	-.858**	0.001	11
	public expenditure	.985**	0	6	.830**	0.006	9	-.763**	0.006	11
UK	GDP	-0.235	0.486	11	-0.247	0.463	11	0.424	0.17	12
	public expenditure	-0.374	0.257	11	-0.394	0.23	11	0.445	0.147	12

Notes: Compares results using in-work benefit expenditure measure as a proportion of GDP or public expenditure. In-work benefit expenditure estimated using EUROMOD, own calculations using GDP (Eurostat 2019d) and Public Expenditure (2019e). Collective bargaining coverage, trade union density and replacement rate data detailed in Appendix D